The NATIONAL UNDERWRITER
Life Insurance Edition

I Love the Life of a 'PROSPECTOR'S' Wife!

. . . says Mrs. Robert E. Hoff
of Albuquerque, New Mexico

"My husband Bob is a 'prospector,' and I love it!

"Out here in the Southwest men have prospected with pick, shovel and pan, and even geiger counters. Bob has his prospecting tools, too — Minnesota Mutual *sales presentations.*

"Bob started in 1948. Before the war he had worked on construction projects in Newfoundland. During World War II he was a troop carrier pilot in the South Pacific. Following his release from the Air Corps, Bob set up a woodworking specialty business which didn't pan out. The few dollars he'd saved while in service were gone.

"One day Bob came home and told me we were moving to New Mexico (we lived in Iowa then) to go into the life insurance business.

"Today we both feel we're lucky that Bob chose an insurance career. Even when he was recalled to active service with the Air Corps in 1951 and 1952, we didn't mind too much, because we knew that as soon as his service ended he would be back with his old company — in business for himself again.

"I am a great believer in life insurance, in the *profession* of selling life insurance, and in the belief that Bob's work is making a happy, secure life for us and our three children — Rose Marie, 4½; Gary, 3½; and Terry, brand new.

"We know that selling Minnesota Mutual insurance isn't the only business in the world, but it is the only life for us. Minnesota Mutual has actually given us a business that's all our own; we've made so many friends in the company, and hundreds more among these wonderful Southwesterners.

"Bob doesn't need to prospect for gold, oil or uranium — he made his 'lucky strike' when he chose insurance selling as his career and Minnesota Mutual as his company."

Associated with Minnesota Mutual since 1948, Robert E. Hoff has ranked consistently among the top salesmen of the company. In 1953 he brought in $845,976 worth of new business and now has over $1,900,000 personally written insurance in force. This year he was named president of the "M" Club for having the highest renewal ratio (100%) among all company agents in 1953. He also qualified this year for the National Quality Award, given for outstanding life insurance service.

Hoff consistently makes the "50 Club." He has written over $50,000 insurance sales each month for the past two years, and he has been a member of the "App-A-Week Club" for better than 226 consecutive weeks. Minnesota Mutual is proud of this "prospector."

This letter, written by the wife of a Minnesota Mutual salesman, is published here as a deserved recognition of the enduring contribution she and her husband are making toward the continuing growth and progress of this company.

THE MINNESOTA MUTUAL LIFE INSURANCE COMPANY

ST. PAUL 1, MINNESOTA *Established 1880*

FRIDAY, NOVEMBER 26, 1954

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The NATIONAL UNDERWRITER

58th Year, No. 48
November 26, 1954

The National Weekly Newspaper of Life Insurance

CIO Asked to Back No-Commission Law for Welfare Plans

Martin Segal, Employe Benefit Consultant, Stirs Ire of Insurance Men at 'Hearing'

NEW YORK—Payment of commissions to agents or brokers in connection with insured union-welfare plans that are set up through collective bargaining should be prohibited by law, Martin E. Segal, New York City employe benefit plan consultant, told the opening session of the CIO "hearing" on welfare plan abuses.

"Large commissions are sometimes paid to people who render no services for them and, often enough, the recipients of these excessive fees invest them in bribery and kickbacks," said Mr. Segal.

He conceded that the problem is not a matter of commissions alone, although there has been some tendency in public thinking to dispose of the problem with this simple approach. Nevertheless, he said, from many cases that have been brought to light, "it is clear that the payment of excessive commissions has provided the most ready method for corrupting welfare funds."

A comment by David B. Fluegelman, chairman of the group insurance committee of National Assn. of Life Underwriters, on the proposal to eliminate commissions on welfare-fund business appears on page 3. Mr. Fluegelman, who is general agent in New York City for Connecticut Mutual Life, which does not write group, is a past president of NALU.

Mr. Segal said that while it is naive to assume that the mere elimination of commissions will in itself remove all mismanagement and corruption, he has come to the conclusion that payment of commissions in welfare plans should be eliminated.

"In their present context," he said, "they have come to represent an automatic, inefficient and ill-regulated method of paying fees without regard to the value of the services performed...

"My friends in the insurance companies say that the elimination of commissions will ruin the so-called 'agency system'. They say that insurance is sold, not bought, and if you eliminate commissions you will stifle the incentive for sales and consequent protection to American workers and their families.

"I disagree with the insurance companies insofar as commissions on group welfare plans are concerned. True, *individual* forms of insurance are sold most effectively by agents or brokers. But in group welfare plan the 'sale', if I may use that word, is made at the collective bargaining table by the union and the employer. And rarely does an insurance agent or broker

(CONTINUED ON PAGE 24)

HAS LONG ASSN. SERVICE

Oren Pritchard Is First NALU Trustee Candidate for 1955

Oren D. Pritchard, manager of Union Central Life at Indianapolis, a longtime association worker, who last year was chairman of the state law and the nominating committees of NALU and this year heads the state law and legislation committee, will seek election as NALU trustee at the next annual convention, according to an announcement made this week by Claude C. Jones, general agent of Connecticut Mutual Life at Indianapolis, who will serve as the candidate's campaign manager.

An association member for 25 years, Mr. Pritchard also has served on the group, social security, and agents qualification law committees of NALU. He has been chairman of the subcommittee of agents qualification, chairman of state law for the past three years, and member of the nominating committee two years before last year's chairmanship.

At local levels, the candidate has served as vice-president of the Fort Wayne, Ind., association; as secretary, vice-president, and president of the Indianapolis association; and as vice-president and president of the General Agents & Managers Assn. of Indianapolis.

Mr. Pritchard also has served as secretary, vice-president and president of the Indiana state association. For 15 years, he has been chairman of the legislative committees of the Indianapolis and Indiana associations.

Entering the business his junior year in college, 1924, he later moved to Miami, returning to Indianapolis in 1928 with the American Central (now American United) Life. In 1934 he was appointed assistant Indiana manager for Union Central Life, later becoming manager in Fort Wayne. He returned to Indianapolis in 1936 in his present capacity.

N. Y. Managers Dinner Dec. 8

New York City Life Managers Assn. will have its annual dinner Dec. 8 at the Waldorf Astoria hotel.

FTC Sets Up A&H Pre-Trial Parley to Consolidate Cases

WASHINGTON—Federal trade commission special attorney Robert Sills has written company counsel in the A&H cases inviting them to a pre-trial conference here Dec.6. The purpose is "frank and open discussion" of possible methods to be adopted in achieving expeditious disposition of issues raised by the complaints filed against 17 A&H insurers.

The letter says "it seems obvious we are all agreed that the multiplicity of hearings can be avoided by creation of mutually acceptable consolidation procedure dispositive of identical issues, jurisdictional or otherwise, and that the parties will be more than compensated for efforts involved."

Counsel were advised that a least two of the examiners to whom FTC cases are assigned for hearing will attend the pre-trial conference.

FTC has received the answer of Reserve Life of Dallas to the complaint against it. It was said this will not be released until after Thanksgiving.

Hearings on Life Company Income Tax Start Dec. 13

WASHINGTON—Rep. Curtis of Missouri, chairman of the ways and means committee subcommittee on life company taxation, announced Monday that the hearings would open Dec. 13 and invited those interested to come in and testify.

The committee recently issued a leaflet summarizing all the varied proposals for the income taxation of life companies. It was not in any way a determination of what the approach should be but was designed merely to furnish a basis for discussions at the hearings.

Columbian National Has 25% Stock Dividend

Columbian National has increased its capital stock from $4 million to $5 million by declaring a 25% stock dividend payable Dec. 15 to stockholders of record Dec. 3.

FTC Might Act on 'Special' Policies, N. Y. Dept. Hints

Deputy Superintendent, at Conference with Insurers, Cites Robinson-Patman Act

By ROBERT B. MITCHELL

NEW YORK—How far should life companies be permitted to follow the "cheaper-by-the-dozen" principle in pricing their wares?

What safeguards are used, or should be used to make sure that "special" policies are not favored in cost-allocation to the detriment of the general run of policies?

And even if actuarial equity is achieved among all classes of policyholders, would the resultant higher cost of smaller policies result in undesirable social consequences for the institution of life insurance?

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These seemed to be the main points causing concern to the New York department at the packed, all-day conference held by the department with representatives of all licensed life insurers and of some not doing business in New York.

That these questions might also become matters of concern to the federal trade commission was indicated by Deputy Superintendent Straub, who conducted the conference.

"This is not a subject that will of necessity escape the attention of the federal trade commission," said Mr. Straub. He mentioned the federal Robinson-Patman act and its application to quantity discounts. He emphasized that the New York department has no preconceived ideas on special policies and that even though it has approved them over a period of many years it would not necessarily feel bound by this attitude.

The head-on collision of viewpoint among companies as regards the issuance of special policies, particularly those in which size of policy is the sole or primary reason for the lower cost, quickly became evident under the questioning of Mr. Straub, Julius Sackman, chief of the life bureau, and Charles Dubuar, chief actuary.

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Most of the support for special policies came from New York Life, Equitable Society, John Hancock, Metropolitan Life, Prudential, Guardian Life, Connecticut General, Colonial Life, Phoenix Mutual, Continental American, Acacia Mutual, North American Life of Toronto, Mutual of New York, Eastern Life, Security Mutual of Binghamton, and Monarch Life of Massachusetts.

Strongest opposition—and it was extremely outspoken—came from Mutual Benefit Life, Northwestern Mutual, and Connecticut Mutual.

At the start of the conference Mr. Straub distributed a list of questions prepared by the department to serve as a basis for questioning and discus-

(CONTINUED ON PAGE 21)

Late News Bulletins . . .

House Probing Overseas Life Sales to GIs

WASHINGTON—The House armed services subcommittee on defense activities is investigating a newly-disclosed aspect of life insurance sales to servicemen at European installations. The investigation was set off by an article in the current *Argosy Magazine* charging that a group made up mainly of Texas insurers has achieved by unethical means a virtual monopoly of the sale of life insurance to servicemen in Europe. Author Michael Stern says that these insurers, organized as the European Assn. of Life Underwriters, effectively bar non-member companies and agents from participating in the writing of life insurance on members of the armed services in Europe.

To Form New Company in N.Y.

Notice of intention to form American Life Ins. Co. of New York with an initial capital of $500,000 has been filed with the New York department. Milton J. Blume of the Joseph S. Blume insurance agency, New York City, is one of the incorporators. The company will write life and A&H.

DEC. 8-9 ARE DATES

To Tot Up Industry Score on Meeting Change at LIA Rally

A symposium on how life insurance is keeping pace with changing conditions will be a feature of the annual meeting of Life Insurance Assn. of America at the Waldorf-Astoria, New York City, Dec. 8-9. The meeting will follow the Institute of Life Insurance annual meeting.

Edmund M. McConney, president of Bankers Life of Iowa, will lead the symposium, scheduled for the second day. Participants will be Haughton Bell, vice-president and general counsel Mutual of New York; Claude L. Benner president Continental American Life; Edwin C. McDonald, vice-president Metropolitan Life, and H. Bruce Palmer, president Mutual Benefit Life.

The discussions will cover such questions as what life insurance is doing to adjust to changes in the population distribution, to the continuing inflationary trend, to the increasing importance being attached to security by both management and labor, and to the increase in the competition for savings from such institutions as savings bank, savings and loan associations and mutual funds. The pros and cons of the variable annuity will also be considered.

Cleo F. Craig, president of American Telegraph & Telephone Co., will speak at the luncheon Dec. 8.

The association's president, Louis W. Dawson, president of Mutual of New York, will open the sessions the first day with an address on "Social Security—Time to Take Soundings". Vital problems now facing the business then will be considered by Mr. Dawson, Bruce E. Shepherd, LIA's manager, Eugene M. Thore, its general counsel, and Henry R. Glenn, the associate general counsel, as well as chairmen of the various committees and others which are considering these problems. There will also be reports covering life insurance investment experience during 1954, life insurance in force, new business, and disbursements to policyholders and beneficiaries.

Devereux C. Josephs, chairman of New York Life, heads the program committee.

New Arkansas Governor Says He Will Rename Combs as Commissioner

LITTLE ROCK—Governor-elect O. E. Faubus of Arkansas, who takes office in January, has announced he will re-appoint Harvey G. Combs as insurance commissioner.

Mr. Combs resigned for about four days when he appeared on a TV program on behalf of Mr. Faubus' candidacy for governor in the general election. Gov. Cherry formally requested Mr. Combs to withdraw the resignation and serve out his term until January.

Mr. Combs has been prominent in Democratic affairs in Arkansas for many years, for 30 years acting as secretary of the state committee. He supported Governor Cherry in the Democratic run-off primary last August.

In announcing he will re-appoint Mr. Combs, the governor-elect said he had known the commissioner for many years, he had done a good job, and that in his administration for the first time "rates to the insurance-buying public were substantially reduced in all classifications."

Guardian Dividends Up

Guardian Life will distribute $5,225,000 in dividends during 1955, an increase of 13.%6. Settlement dividends will be paid for the first time, and mortgage insurance plan dividends will be moderately increased.

Interest on policy proceeds left under a settlement option and on dividends left to accumulate will be 3%. On A&H policies the first year dividend, with the exception of Thriftmaster and hospital expense plans, will again be 10%. With the same exceptions, second and third year dividends will range from 10% to 20%.

Won't Appeal Group Victory of Shenandoah

In a letter to Paul C. Buford, president of Shenandoah, Superintendent Jordan said that the District of Columbia department will not appeal District Judge McLaughlin's ruling that Shenandoah Life's license should be renewed.

D. C. officials had maintained that Shenandoah did not meet the requirement of insuring under group policies at least 75% of all eligbile employes, or all employes of a specific category in a given government agency or bureau. Shenandoah Life had argued that 75% of any government employes association, even one formed only to insure its members, met the requirements of the law.

Appeals Decision in Suit Against Company Board

NEW YORK—Gustave Garfield of New York City has indicated he will appeal to the appellate division from the New York County supreme court decision that he has no basis for his suit to force the insurance superintendent or the attorney-general to take action against Equitable Society's directors. He alleged they should have prevented former Chairman Thomas I. Parkinson from taking certain actions that Mr. Garfield considered detrimental to the policyholders.

Judge Hammer held that on the basis of the acts and circumstances presented no statutory authority existed for the court to direct the superintendent or attorney-general to take the demanded action. Moreover, he held that Mr. Garfield lacks the right to maintain an action against the directors. Unlike a stockholder, a policyholder in a mutual company has no right in law to maintain a "derivative" action on behalf of the corporation.

The Imberman suit, a consolidation of actions brought by several other policyholders appears to be bogging down. Attorneys for the plaintiffs have asked for continuances every time the case has come up for trial recently.

Guardian Refuses to Send Proceeds Behind The Iron Curtain

NEW YORK—Guardian Life has refused to send life insurance policy proceeds behind the Iron Curtain, it was disclosed this week in an action in U. S. district court here.

The plaintiffs in the action, involving $20,000, are policy beneficiaries living in Poland. The suit in their name is based upon the allegation that the money is due but that Guardian has refused to pay its obligation to the named beneficiaries.

Guardian's position, expressed in an answer filed in court, is to question that plaintiffs would receive the money or that they have voluntarily authorized the Polish government to collect it for them. The company declares that communist-dominated Poland is a police state and that the beneficiaries are compelled to have the money turned over to the Polish government. The company maintains that the complaint should be dismissed or that the funds due to such beneficiaries should be deposited in court for their benefit and protection rather than be transmitted behind the iron curtain under existing political conditions.

The case is the first of its kind with respect to the payment of life insurance proceeds to Iron Curtain beneficiaries. Plaintiffs are represented by Wolf, Popper, Ross, Wolf & Sones, of New York City. Guardian is represented by Watters and Donovan, of New York City and Washington, D. C.

Larson Remains Defendant in Suit by Bankers L.&C.

Commissioner Larson of Florida remains a defendant in the $30 million damage suit filed by Bankers Life & Casualty against him, Commissioner Cravey of Georgia and others, charging they plotted to put the company out of business in Florida and Georgia.

Judge Holland in federal district court, Jacksonville, refused to dismiss Mr. Larson as a defendant. At the same time he refused a request by Hartford Accident to dismiss it as a defendant or transfer the case to Atlanta. Hartford Accident had the $20,000 bond on Mr. Cravey.

Other defendant companies are Reserve Life of Dallas, George Washington Life of Charleston, Professional Insurance Corp. of Jacksonville and American Security of Atlanta, financed auto insurer.

AMA Delegates to Hear Pro and Con Discussion of Reinsurance Plan

The controversial proposal for reinsurance of health insurance plans, which was shelved by Congress last July and is expected to come up again, will be given a pro and con airing before a meeting of the house of delegates of American Medical Assn. at Miami, Nov. 29.

The proposal will be discussed by Mrs. Oveta Culp Hobby, Secretary of the Department of Health, Education and Welfare, and by Edwin J. Faulkner, president of Woodmen Accident and a past president of H&A Underwriters Conference.

The house of delegates is made up of 197 physicians from all sections of the country and is the policy-making body of AMA. "Discussion of such a controversial issue before the AMA by persons outside of medicine is an unusual procedure," said AMA President Walter B. Martin, of Norfolk, Va. He said, however, the problem is one of considerable magnitude and "the medical profession wants to do everything in its power to help solve it." He added that AMA is willing to support any sound legislative proposal which it believes would aid in the expansion and improvement of the nation's medical system while, at the same time, avoiding the dangers of government control over either the recipients or suppliers of medical service.

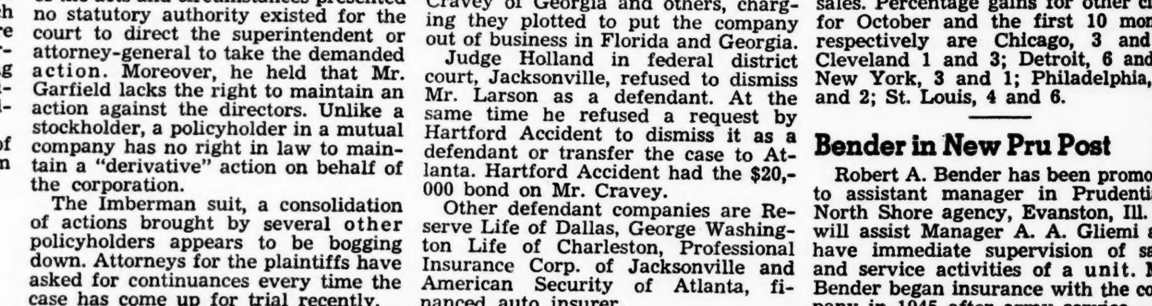
L. A. Leads Cities in Ordinary Sales Gains

Los Angeles led the nation in percentage increase in ordinary sales for October with 23%, with an increase for the year of 6%. Boston is leading in percentage increase for the year with 8%, but dropped 3% in October sales. Percentage gains for other cities for October and the first 10 months respectively are Chicago, 3 and 5; Cleveland 1 and 3; Detroit, 6 and 3; New York, 3 and 1; Philadelphia, -1 and 2; St. Louis, 4 and 6.

Bender in New Pru Post

Robert A. Bender has been promoted to assistant manager in Prudential's North Shore agency, Evanston, Ill. He will assist Manager A. A. Gliemi and have immediate supervision of sales and service activities of a unit. Mr. Bender began insurance with the company in 1945 after army service.

IHOU Elects James D. Renn President at New Orleans Convention



INSTITUTE OF HOME OFFICE UNDERWRITERS new officers and executive committeemen, elected at the New Orleans annual convention: Front row, J. H. B. Peay, Jr., Life of Virginia, outgoing president; James D. Renn, Peninsular Life, new president; C. Edwin Carlson, Continental Assurance, executive vice-president; T. Bertram Anderson, Connecticut General, vice-president and editor, and John F. Duston, Equitable Life of Iowa, secretary-treasurer. Back row, I. M. Spear, State Farm Life, publicity director; and executive committeemen Charles A. Will, Guardian Life; William H. Harrison, Security Mutual of New York; Douglas Wood, General American Life; Clyde Miles, Union Life of Virginia; Ira Dryden, Amicable Life, and Julius Covington, Coastal States Life.

Farm Bureau Equity Plan Lauded, Scored

R. A. Rennie Says Slow Inflation Is Today's Great Challenge for Insurers

NEW YORK—The decline in the value of the dollar is today's great challenge to the life insurance business, and how the business meets this challenge will determine in large measure whether it will move ahead, R. A. Rennie, Ohio Farm Bureau Life's director of research, told the New York City Life Underwriters Assn. in his discussion of Farm Bureau's new combination of life insurance and mutual fund purchases.

"I do not know whether the Farm Bureau insurance plan is the right answer," he said, "but I do believe there is a need here and that the life insurance industry, in its own way, will meet it. It is natural to be cautious, to be skeptical, to weigh the risks: we have been doing that for a century. And also, we have been advancing for a century to meet the needs of the American people."

The drive to link insurance with stable purchasing power rather than fixed dollar payments, Mr. Rennie said, is based on the fact that since 1900 prices have risen an average of 2% per year, and he quoted *The Economist*, to show that prices will continue to rise as far as human wisdom can see ahead, that this fact must be candidly recognized and that we must adapt many of our institutions to it."

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Emphasizing that there is no substitute for the protection of life insurance against premature death, he said that the Farm Bureau plan, designed to protect insurance savings against inflation, differs fundamentally from previous plans which require that periodic payments to mutual funds remaining unpaid at time of death become due and payable and that insurance proceeds must be used to satisfy this obligation. Proceeds from Farm Bureau policies are paid directly and without strings to the beneficiary.

The plan may be divided into two parts. One part consists of regular purchase of mutual shares in order to acquire the desired total amount at the end of a given period. The table of dollar amount of shares to be purchased is computed on the assumption that interest and other earnings will be at the rate of 3½% a year. Over the past 15 years, cash distributions of adequately managed funds have averaged close to 5¾% and the share price has increased 60%.

The second part of the plan is the purchase on an individual basis of life insurance to supplement these periodic investments. Generally this will be a reducing term policy, underwritten in the same way as all life policies issued by the company.

By purchase of mutual shares and life insurance, the individual is protected in two ways. If he lives, he can reach his goal in terms of purchasing power. If he dies, his family will receive life insurance benefits sufficient to complete the planned program.

Mr. Rennie brought out two facts to oppose the idea that his company's plan involved speculation. First, he said, fixed-dollar investment is speculation on the value of the dollars to be

(CONTINUED ON PAGE 18)

C. L. Benner Calls Sale of Fund Shares and Life Insurance Incompatible

The biggest objection to combining life insurance with mutual shares is the inescapable conflict in type of sales presentations, said Claude L. Benner, president of Continental American, at the New York City Life Underwriters Assn. meeting on mutual funds.

"I can hardly imagine two sales talks which must be more dissimilar in nature and content if they are to be successful," he declared.

Mr. Benner pointed out that the agent selling life insurance deals in certainties.

"What must the mutual fund share salesman say?" he asked. "No doubt he will point out that we live in a growing country and that the companies in which his funds has made its investments will grow faster than the country as a whole. He probably will also state that dividends on the stocks held in his fund will materially exceed the rates obtainable from the same amount of money invested in fixed-income securities.

"But to strengthen his argument I think it inevitable that he will turn the prospective purchaser's attention to the danger of future inflation. He will point out that today we have a 50-cent dollar, and no doubt he will leave the impression that some time in the not-too-distant future a 25-cent dollar is liable to be with us. The reference will be that insurance as *an investment* cannot protect him against this inflationary loss, but that his mutual fund shares will probably do a pretty good job at it.

But, Mr. Benner noted, mutual shares are not exempt from stock market variations. The arguments now put forward for purchase of mutual shares were put forward in the '20s for investment shares, and when the test of the '30s came, investment shares were not much better than the average of common stocks.

Properly managed and properly purchased mutual shares should have the investor's confidence, Mr. Benner al-

(CONTINUED ON PAGE 18)

American National Passes $3 Billion in Force Mark

American National has passed the $3 billion insurance in force mark. The milestone was announced at a luncheon honoring W. L. Vogler, executive vice-president, that wound up a production campaign in his honor. Production records were established during the Vogler month contest, industrial business amounting to $60,620,753 and ordinary business totaling $22,373,839.

American National, which is the largest insurer west of the Mississippi river from the standpoint of assets, reached the $2 billion in force mark only five years ago. The first billion was reached in 1943, after 38 years.

Mr. Vogler has been in insurance 25 years and with American National since 1932 when he started as Salt Lake City general agent. He went to the home office in 1944 and has been executive vice-president since 1946.

Fluegelman Attacks No-Commission Plan for Welfare Funds

The proposal made by Martin E. Segal, New York City employe benefit plan consultant, that commissions be prohibited on group welfare fund cases, drew the following observation from David B. Fluegelman, Connecticut Mutual Life general agent in New York City. Mr. Segal made his suggestion at a "hearing" held by the CIO committee on ethical practices held in New York City, which is reported elsewhere in this issue. Mr. Fluegelman is a past president of National Assn. of Life Underwriters and chairman of its group insurance committee.

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Sitting in at the CIO hearing on welfare funds, I had the opportunity of listening to a rather astounding statement made by Martin E. Segal, which impels me to make comment. As chairman of the NALU group insurance committee, which has welfare funds within its scope, I believe I have an obligation to make a response to the statement. Obviously, since I haven't had the opportunity to consult with members of my committee, I am speaking solely as an individual and expressing my own personal point of view.

Mr. Segal was apparently invited by the CIO to present his statement in the capacity of an "expert" on welfare plans. It is generally conceded that he has had a great deal of experience in the installation and servicing of these plans. The CIO for reasons best known to itself, did not see fit to invite representatives of NALU, the state association or the local association to present their views. This is rather curious since, within the membership of NALU a tremendous number of underwriters are well qualified to give pertinent facts on the subject.

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I raise no objection to the appearance of Mr. Segal, since he is generally recognized as qualified in the field of welfare fund plans. However, when he categorically recommends as a solution to abuses the "elimination of commission payments on an insured policy issued to welfare funds" he is straying far from his field. He has given no evidence of being an "expert" on what compensation should be paid to agents who write insurance, whether it be individual policies or welfare fund plans. Under the agency system, this is a subject that must be determined by the philosophy of each writing company. Frequently these companies call in advisory committees of their agents for suggestions and guidance, but the decision is still one that must rest with the companies. In my opinion, it is gross arrogance for Mr. Segal to make a statement of this nature, particularly when he states "there is no easy sweeping method of solving the problems which have arisen in some welfare funds."

There is apparently no question that there have been certain abuses and corruption in the handling of some union welfare funds. But to blame the payment of commissions is to attempt to shift responsibility from where it properly belongs—in the laps of the unions themselves. The problem is not one of agents tempting ethical union leaders with the lure of kickback money. Corruption typically starts with

(CONTINUED ON PAGE 24)

NEWS OF FRATERNALS

Elect Miss Spangler Royal Neighbors Supreme Oracle

Miss Anna B. Spangler of Denver has been named supreme oracle of Royal Neighbors succeeding Mrs.

Miss Anna B. Spangler

Mrs. Jewell James

Frances L. Torkelson who was injured fatally in an automobile accident near Little Rock, Ark., about two weeks ago.

Mrs. Jewell James, Mountain Grove, Mo., was named a supreme director to fill the vacancy created by the advancement of Miss Spangler. She is replaced as a member of the board of supreme auditors by Mrs. Edith M. Evans, Gothenburg, Neb.

Miss Spangler has been with Royal Neighbors for 29 years, serving first for several years as a district deputy in Kansas. In 1932 she was appointed field supervisor for Colorado and Wyoming, holding this position until 1941 when she was elected to the board of supreme auditors. She has been a supreme director since 1950.

Miss Spangler served two terms as president of Colorado-Wyoming Fraternal Congress, of which she is a charter member.

Mrs. James, beginning in 1943, was a district deputy in Missouri until her appointment to the supreme board of auditors last July. Mrs. Evans has been in field work in Nebraska for more than 13 years.

A.A.L. Wisconsin Agents Meet

Wisconsin Fraternal Life Underwriters of Aid Assn. for Lutherans at a meeting in Milwaukee heard talks by Will Froehlich, manager for Occidental Life of California, and Dale B. Potts, vice-president and director of agencies for Wisconsin Casualty Assn.

Lutheran Brotherhood's New Home Underway

Shown above is an artist's sketch of Lutheran Brotherhood's $2½ million home office building to be built on the corner of Second avenue south and 7th street, Minneapolis. Construction will start at once and completion is scheduled by the end of 1955. Original plans called for four floors but continued growth of the society indicates a greater eventual need. The new building will have six floors with about 105,000 square feet of floor space. The two upper floors will be rented until needed by the society.

The main section of the building will face 7th street and a one-story unit will parallel Second avenue, set back by a buffer strip of lawn and trees. An outdoor sunken court will open off the inside the "L" formed by the two sections. The building will be modern in every respect. The upper five floors of the main office section will be sheathed with thin walls of glass and steel, and in contrast the recessed first-floor-line will be of rough hewn stone.

The building will have air-conditioning, fluorescent lights, acoustical treatment, automatic elevators and an extensive speaker system for intercommunication and background music. There will be an employes' dining room and lounge and a 300-seat auditorium on the first basement level.

Lutheran Brotherhood recently passed the half-billion-dollar life insurance in force mark and sales this year are expected to total nearly $100 million. Assets exceed $90 million.

Praetorians President

J. M. Mottley, whose election as president of the Praetorians was reported in last week's issue, started with the organization in 1929 as an agent at Houston. He was made cashier there the following year, both cashier and manager at Houston in 1940 and in 1941 was elected a director. Since being named national vice-president in 1951 he has had charge of investments in addition to other official and administrative functions.

J. M. Mottley

Elect Mrs. Meiselbach at Degree of Honor Wis. Rally

Mrs. Clara Meiselbach, Milwaukee, was elected state president of Degree of Honor Protective Assn. at a convention in Milwaukee. She succeeds Esther Forbes. Others named were Mrs. Louis Rasmussen, Ladysmith, and Mrs. Caroline Grossmann, Milwaukee, vice-presidents, and Mrs. Mildred Greenwald, Barron, secretary.

Several hundred delegates from 25 Wisconsin lodges attended. Guests included Mrs. Edna Dugan, president, and Mrs. Clara Bender, secretary, both of Minneapolis.

Sprague, Barnhurst, Four Others Advanced by Provident Mutual

Lewis C. Sprague, Provident Mutual general agent at New York City, has been elected 2nd vice-president, and H. G. Barnhurst, general agent at Syracuse since 1940, will succeed him. Effective date of the appointments is Jan. 1, 1955.

Lewis C. Sprague

Henry G. Barnhurst

Replacing Mr. Barnhurst at Syracuse on Jan. 1, 1955 will be William H. Weller, a supervisor there for three years. He joined the company in 1948.

Eugene R. Hook, Westfield district supervisor since 1952, has been promoted to manager of New Brunswick-Westfield agency in New Jersey, and Richard L. Benson, who has been manager at New Brunswick, will return to the agency department, assuming a post in the training section. He has been with the company since 1947 at the home office and at New Brunswick.

Eugene R. Hook

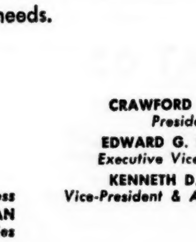
William H. Weller

Edward F. Jackman

Richard L. Benson

Edward F. Jackman, supervisor at the Sprague agency since 1951, has been appointed Toledo manager.

Mr. Sprague joined Provident Mutual in 1935 as a manager in New York City and became general agent in 1938. Mr. Barnhurst joined the Sprague agency in 1931 and was supervisor 1936-40. He is president of Provident Mutual Agents & Managers Assn.



N. Y. Life Dividend Payments in '55 to Be $83 Million

New York Life's dividend payments will be $83 million next year, a new record as compared with $76.4 million in 1954. Of the $6.6 million increase, $3.1 million is due to growth of the company and $3.5 million is the result of changed dividend scales for certain categories of policies.

Individual dividend payments will vary according to the amount of a particular policy, the plan and benefits, the age at which the policy was issued and the time it has been kept in force. Here is how the increases will affect certain policy categories:

Larger annual dividends rather than extra dividends are contemplated under the AD 54 series. The 1954 scale will be continued. This is the case, also, for nearly all policies under the AD 48 series except for any extra dividend elements which may arise from waiver of premium and double indemnity benefits. As a result, the dividend pattern for AD 48 issues, as well as net payments and net costs, will be more comparable with those illustrated for the AD 54 series.

The pattern of termination dividends in connection with AD 48 policies has also been brought into line with that of the AD 54 series. This pattern does not contemplate payment of termination dividends upon death but does provide for payment on cash surrender of endowment maturity at attained age 65 or later if the policy is then at least 10 (instead of 20) years in force and is not lapsed.

Thus, termination dividends contemplated for AD 48 policies will be the same in amount and will be payable on the same basis as those illustrated for the AD 54 series.

For policies without disability benefits, issued prior to AD 48, the scale of annual dividends applicable in 1954 will continue to apply in 1955. For policies with these benefits, issued prior to AD 48, annual dividends will be exactly the same in 1955 as on similar policies without the benefits, instead of lower as has been the case for more than 20 years. There will be minor exceptions for certain categories of policies issued prior to 1921.

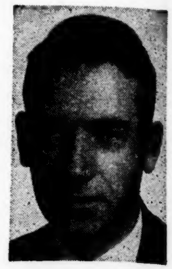
The interest rate declared under supplementary contracts and dividends left on deposit will continue in 1955 at 3%, or under the guaranteed rate, if higher.

100 Years of Industrial Life

There were 113 million industrial life policies outstanding in this country in November when the coverage marked its 100th anniversary, according to Institute of Life Insurance. Industrial was introduced in England as a means of meeting the needs of low income families, and was first sold in this country in 1875.

Klem Elected Director of Equitable Society

Walter Klem, senior vice-president and actuary of Equitable Society, has been elected a director. He joined the company in 1947 as 2nd vice-president and associate actuary after 29 years with Mutual of New York, where he rose to associate actuary. He was named to his present position with Equitable Society in 1953. He is president of Society of Actuaries and a former secretary of Actuarial Society of America, which preceded the present society.



Walter Klem

Travelers Promotes Hust

William J. Hust, Jr. has been appointed district supervisor group pensions at the Hartford branch of Travelers. Prior to his appointment, he was group pension supervisor at Bridgeport. He has had extensive experience in the general field of group insurance as well as specialized home office training in pension planning and administration.

On Prov. Mutual Board

Provident Mutual of Philadelphia has elected Harry W. Gadsden to the board. He is vice-president and director of production and engineering of Sharp & Dohme division of Merck & Co., Inc.

Jefferson Standard Runs Seminars

Jefferson Standard recently conducted two advanced seminars on programming, business insurance, the new social security law and taxation affecting life insurance for members of its agencies in eight western states. Seth C. Macon, superintendent of agencies, directed the schools. He was assisted by W. L. Seawell, superintendent of agencies, and John D. Griffiths, assistant superintendent of agencies. Karl Ljung, agency vice-president, spoke at both seminars.

Judd Dibble to Be Manager

The Judd Dibble general agency of Provident Life & Accident in Los Angeles will become a branch office of the company. Mr. Dibble will head the office as manager.

Trends in Major Medical Cover Are Discussed at Insurance Buyers Meeting

A status report on major medical insurance, combined with descriptions of plans used by Standard Oil of California and Sears, Roebuck & Co. were presented to those attending the insurance section meeting of American Management Assn. at Chicago. Speakers were Edmund R. Whittaker, vice-president of Prudential; Lee Laird, benefits division manager of Standard of California, and William H. Stubbs, personnel policy and benefits manager of Sears.

Mr. Whittaker, who is one of the leaders in developing major medical insurance, commented that this type of coverage, although capturing a good deal of interest, has not developed as fast as he expected. He attributed this to the fact that there is no standard product and each company going into the field puts out new ideas "so that the prospective buyer becomes hopelessly confused."

Despite the variety of ideas on the subject, Mr. Whittaker said there are certain trends which he considers gratifying, and he commented on them. He said he got his information by writing three companies he considers "progressive and intelligent competitors," asking for experience on a number of points. He combined these answers with the experience in his own company, and commented on the development. He also offered some of his own opinions on the trend in major medical based on his experience before the Wolverton committee of the Congress and conversations with employers.

One of the criticisms offered by the Wolverton committee was that the amount of coverage most people have is a drop in the bucket in the case of serious illness, especially when it involves any amount of private nursing and Mr. Whittaker said major medical is the answer to this. He added, however, that he has strong feelings on the question of excluding coverage because of pre-existing conditions.

"I deplore the trend which is now being followed by many companies in trying to sell major medical at low rates with limited coverage," he declared. "I believe that major medical must be a comprehensive coverage, and from all the experience we have had it is easier to enroll employes on liberal benefits than on limited benefits at a lower cost."

In the case of Prudential, there was an 80% enrollment down to the lowest salary bracket, even though the original charge for single employe was 50 cents a week. At the same time Prudential was enrolling its own people, it was running an enrollment on another large case where emphasis was placed on low cost, and there was a much better enrollment in the lowest salary groups of Prudential employes at 50 cents with a $100 deductible than there was in the other case at 30 cents with a $200 deductible.

"I really dread the adverse effect upon the public relations of the insurance industry if there is any marked trend toward selling limited coverage in order to scrimp on the rate," Mr. Whittaker said. "It would delude the public by making them think they have coverage when they haven't and in public opinion we would be right back in Chairman Wolverton's dark days."

One of the popular lines of major medical on the market excludes pre-existing conditions for which the insured received medical treatment within 90 days prior to the effective date. Although the reasoning behind this is understandable, Mr. Whittaker said he thinks it goes too far. The requirement should be modified along the lines of the incontestable clause in ordinary life policies, he suggested, to the effect that if the insured is still actively at work one year after his insurance becomes effective and has not put in a claim on the pre-existing condition, then the exclusion is automatically void.

Mr. Whittaker made a suggestion to the buyers about how they can keep up interest in their major medical plans and increase the enrollment. This can be done, he said, by keeping before the employes the unusual claim cases, and an effective way to do this is in the company house organ. Prudential has done this and at the end of the first year a re-enrollment brought in another 3,000 lives.

One of the questions Mr. Whittaker asked of other companies doing a major medical business was whether cases are still being written on executive groups or whether there has been a trend toward making coverage available to those in lower income brackets. The first company said it has noticed a trend toward coverage for all employes, and has written two cases which are union welfare plans covering union members only. The second

(CONTINUED ON PAGE 19)


E. F. DAVY, CLU
Salt Lake, Utah. Joined Home Life, 1929; became Manager, 1939.


H. W. DAVY, CLU
San Francisco. Joined Home Life, 1932; became Manager, 1943.


J. S. DUDLEY, JR., CLU
Atlanta, Ga. Joined Home Life, 1937; became Manager, 1949.


H. S. EASTON, CLU
Cleveland. Joined Home Life, 1943; became Manager, 1944.


R. C. ELLIS
New York, N. Y. Joined Home Life, 1916; became Manager, 1928.


C. C. FARRELL
Houston, Tex. Joined Home Life, 1941; became Manager, 1950.

THESE 31 AGENCY MANAGERS are living proof of "opportunity unlimited" at Home Life. Each of them joined the company *with no life insurance experience;* each was a successful "Planned Estates" Field Underwriter, received management training and is now managing his own agency. As a group, they average 18 years of Home Life service.

Their careers are the fulfillment of a promise that is made to each individual who joins the company. In 1924 Home Life President E. I. Low first put it into words: "I am ambitious that this company shall not only give to its policyholders the ultimate in life insurance service, but that it shall be a good company to work for. I want it to offer to the men and women associated with it the widest scope for . . . their abilities and the opportunity to go as far as those abilities and their ambition carry them."

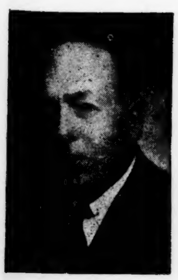
Under succeeding Home Life Presidents J. A. Fulton, W. J. Cameron, and W. P. Worthington, advancement-from-within has become a guiding principle of operation. As the company has grown, management training has emerged as a recognized home office responsibility and a formalized training program has developed. For these 31 agency managers, "opportunity unlimited" has real meaning.


V. W. HOLLEMAN
Wash., D. C. Joined Home Life, 1927; became Manager, 1934.


T. M. LEMLY
Memphis, Tenn. Joined Home Life, 1939; became Manager, 1949.


C. F. MC KENDRY
Albany, N. Y. Joined Home Life, 1947; became Manager, 1953.


R. MARTIN
Champaign, Ill. Joined Home Life, 1915; became Manager, 1918.


L. C. REEVES
Richmond, Va. Joined Home Life, 1938; became Manager, 1953.


P. F. SAINT, CLU
Boston, Mass. Joined Home Life, 1945; became Manager, 1951.


J. J. SHILLING
Los Angeles. Joined Home Life, 1946; became Manager, 1950.


A. D. SUTHERLAND
Detroit, Mich. Joined Home Life, 1933; became Manager, 1935.


M. M. ZOBLER, CLU
New York, N. Y. Joined Home Life, 1945; became Manager, 1954.

"A Career Underwriter's Company"

Huebner Featured at Joint San Francisco Meeting

S. S. Huebner, president emeritus of the American College, addressed a joint meeting of San Francisco Life Underwriters Assn., San Francisco General Agents & Managers Assn. and San Francisco CLU chapter.

Considering only three cents of every dollar is for life insurance and that one family of every four has no life insurance, Dr. Huebner declared the future for the American agency system is most promising. He added, however, this is contingent upon continuing educational activities which will increase the ability of the agent to sell and serve. He urged impetus be given to the move to bring knowledge of life insurance economics to high school students.

Mr. Huebner observed that life underwriters, to present an adequate program, should have a basically liberal understanding of all forms of insurance coverages so that they can adequately meet all circumstances of a prospect.

Conn. General Promotes D. A. Frink

Connecticut General has promoted David A. Frink to group pension representative for the New York metropolitan area. He was at the home office.

Socialization Big Threat, Walker Tells Indiana Rally

The U. S. is much nearer complete socialization today than England was before World War II, Robert L. Walker, president of NALU, told the mid-year meeting of Indiana Assn. of Life Underwriters in Indianapolis.

Today, Mr. Walker said, reliable estimates are that one man in 13 is being supported by the tax payments of the other 12, and that if present trends continue, in 50 years one out of six will be supported by the other five. Social security, he declared, is no longer sound economics or sociology but only "political rutting." He reviewed several trends in the business and economy which "must be watched closely."

Also speaking at the meeting, presided over by Francis Davis, general agent, Indianapolis Life, Marion, president of the Indiana association, Commissioner Wells declared that Indiana has seen an influx of new companies at a rate second only to Texas, "a poor second, but second nonetheless." He reported that the department will seek legislation to double the present capital and surplus requirements of $100,000 and $50,000.

Among other legislation he revealed he will seek, Mr. Wells named reduction of the commission on the sale of company stock from 15 to 10%, and amendent of the present premium tax of 3% minus certain allowable deductions, to a straight 2%.

Jaqua Texas Award Winner

Texas Leaders Round Table will present its outstanding achievement award for 1954 to A. R. Jaqua, director of the Southern Methodist University institute, at a dinner at Dallas Dec. 9.

Mr. Jaqua, who played a major role in establishment of the SMU institute and has been its only director, was selected for the award "because he has done more than anyone else in the state in helping life insurance men."

Benson Moves to Ground Floor

The Cincinnati agency of Union Central Life, headed by Judd C. Benson, held an open house in its new first floor quarters in the company's home office annex building, 309 Vine street. The agency, the company's largest, had been located on the 17th floor of the home office where it was a tenant since the building was completed in 1913.

The new location, in addition to providing space for 23 agents, administrative, and medical staffs, includes extended facilities for the estate analysis department and the pension and employe benefit department.

CLUs Give Skit for Okla. Managers

The Nov. 19 program of Oklahoma General Agents & Managers Club was staged by Oklahoma City CLU chapter members. Participating in a play centering around business insurance were Richard Turpin, Prudential; Frank Marshall, Prudential; R. W. Dozier, Massachusetts Mutual; Joseph Dean, Connecticut Mutual, George Brown and Charlevan Baker, Liberty National.

Iowa Quarter Million Club Meets

A strong program for the fall meeting of Iowa Quarter Million Club attracted a large attendance.

Speakers were Dr. Pak-Chue Chan, Iowa State College; R. L. Swarzman, Equitable Society, E. R. Monson, American Mutual Life, J. J. Donohue, Jr., New York Life, all from Des Moines; and L. T. Stearn, Northwestern Mutual, Minneapolis. R. H. Pickford, Jr., Northwestern Mutual, Cedar Rapids, was moderator of an "idea" session.

Hancock Host to Its Retired

BOSTON—Paul F. Clark, president of John Hancock, played host to 150 retired members of the company at a luncheon in the home office. The group represented one-half of the total number of retired Hancock employes. Also present at the luncheon, the first of its kind ever held by the company, were 18 company officers.

10,000 at Hancock 'Family Day'

BOSTON—Nearly 10,000 people were entertained by John Hancock at one of the biggest "family day" parties ever held in New England. Sixty refreshment stands in departments throughout the building afforded the Hancock people an opportunity to visit in their own departments and introduce their families to fellow employes.

New HIC Booklet Tells Aims, Practices of A&H Insurers

The first comprehensive statement of policy, purpose, and practice by insurers which provide health insurance has been published by Health Insurance Council, a 9-year-old confederation of the nine insurance trade associations whose member companies now collectively account for more than seven-eighths of A&H business in the U. S.

Entitled *The Health Insurance Story*, the booklet represents an effort by the council to provide physicians, hospital administrators, and others with a clear and useful explanation of the insurer point of view about health insurance, according to council chairman John H. Miller, vice-president of Monarch Life of Massachusetts.

"The voluntary health insurance movement can achieve its full potential for service to the American people," Mr. Miller said, "only if there is mutual understanding and cooperation between the professionals who provide health care services and the various organizations which provide health insurance protection."

The booklet is the first major educational medium produced by the council's information and publications committee and is described as the forerunner of a program of public relations activities.

Seven broad aspects of health insurance are considered, starting with a well-rounded discussion of the nature, value and scope of health insurance. Development of the various forms of health insurance is traced from earliest beginnings, more than 100 years ago, to the newly-developed policies covering major medical expense. Fundamentals, such as the principle of coinsurance, are explained in another chapter.

Alternative approaches to health insurance are considered. The distinctions and differences between the cash-benefit contracts offered by insurance companies and the various types of contract of other insuring organizations are explored.

Part of the booklet is devoted to the purchase and ownership of health insurance, steps in planning a good program are explained, and there are valuable hints for the policyholder, including an explanation of how to claim benefits.

Ways in which insuring organizations, physicians, hospitals, employers, government, and the insuring public can work together toward achieving maximum success for the voluntary health insurance movement are discussed.

Single copies are available without charge from any member of the council. On bulk orders, there is a charge of 50¢ a copy.

Gas Kills 1,400 Yearly

NEW YORK—Accidental gas poisoning takes an annual toll of about 1,400 lives in the United States, and nearly three out of four of these deaths occur in and about the home, statisticians of Metropolitan Life report.

In the company's experience among industrial policyholders for the period 1951-1953, gas ranges or gas heaters were involved in more than half of all fatalities from accidental gas poisoning in and about the home, with a common cause of accidents being the turning on of gas jets without lighting them. In the gas poisoning accidents which occur outside the home, automobile exhaust fumes were the leading cause of death.

J. A. Snow in Group Post

John A. Snow has been appointed group supervisor of policy services by New England Mutual. He joined the company in 1937 and served in the medical department until his transfer to the group department last March.

Wins Security Mutual Drive

Irwin M. Flaster, local agent in Newark, led the field in personal production to win Security Mutual's contest honoring Norman T. Carson, agency vice-president, on his 15th anniversary with the company.

Mr. Flaster, a member of the Million Dollar Round Table and the company's Million Dollar Agency Club, joined Security Mutual in 1950. The Kay agency, of which he is a member, was the top agency in the company's Empire division.

Conacher Joins Plante Agency

Alastair Conacher has been appointed as assistant general agent and sales manager of the Plante agency of John Hancock Mutual at Cleveland. A former secretary-treasurer of Ontario Chamber of Commerce, Mr. Conacher later was a Canada Life agent at Hamilton, Ont., and district manager at Buffalo.

Occidental Names Two

Hugh S. Sasseman has been named assistant manager of Occidental of California's Chicago branch, replacing Davis McAdoo who becomes assistant brokerage manager. Mr. McAdoo joined Occidental in Chicago in 1953 while Mr. Sasseman was an agent with John Hancock Mutual for nine years in Oak Park, Ill.

Agent Best to Keep Medical Costs Down

The agent is more effective than the company in helping doctors and hospitals of his community keep down the cost of medical care, according to Wendell Milliman, vice-president in charge of group insurance for New York Life. In his speech before the Houston Area Insurance Buyers Assn. at Houston, he said that overuse and overcharges for medical care is a problem common to doctors, employers and insurance companies, and only by concerted action can it be solved.

As a result of high medical costs, he said, there is a growing effort on the part of medical and hospital organizations to discourage and control overuse and overcharges for medical care. Unnecessary expense not only increases the cost of insurance, but also endangers the continuation of the present basis of medical practice.

In reviewing the general progress of group plans, Mr. Milliman noted particularly the rapid growth of major medical. Calling it "the most important single development in the group insurance field in many years," he said that while there were only 506 major medical contracts in force covering about 1 million persons, at the beginning of this year, New York Life alone has underwritten 72 such groups since that time, more than 10% of the Jan. 1 total of major medical contracts in force for all companies.

Aviation Charges Cut

Connecticut General has liberalized its aviation underwriting, charging only $2 per $1,000 annual extra premium for pilots and crew members of scheduled U. S. and Canadian airlines.

On endowments maturing in 20 years or less and on income policies on which cash value equals the face amount in 20 years or less, no aviation extra premiums are now required. All plans, including term, are available to pilots and air crews up to the company's published limit of issue.

Correspondents Meet in Cal.

President Peter M. Fraser addressed Connecticut Mutual western and Florida farm and ranch loan correspondents meeting for three days at Pebble Beach, Cal. Others from the home office included Frank G. Snelgrove, farm loan secretary, and John E. Downey, manager, agricultural loans.

Life of Georgia Promotes Tibbitts

Life of Georgia has appointed J. S. Tibbitts of Marietta, Ga., district manager at Alexandria, La. A staff manager for four years, he has been with the company since 1946. New training assistants, all promoted from staff managerships, are F. C. Tillery, Sheffield, Ala., Dave Dawson, Greenville, S. C., and V. S. Lewis, Portsmouth, Va.

Central Standard Has New Juvenile Policy

General Agent Sigmund Corman of Cleveland, left, became the first Central Standard Life representative to place the company's new progressive

estate plan juvenile policy. Eight year old Jay E. Fraigun, son of David Fraigun of Shaker Heights, Ohio, is the owner of the initial "PEP" policy. They are pictured here.

"In addition to building up to five times the initial amount at age 21, this program is based on an endowment at age 65 plan," according to Robert W. Staton, director of agencies. "Additional features are the return of premiums, three attractive options at age 21 and the waiver of premium benefit to age 25, at a slight additional cost, in the event of the death or disability of the parent."

Mr. Corman is one of the leading general agents of the Central Standard and has represented the company in the Cleveland area since 1949.

Union Central to Use Tape Recordings for Sales Ideas

CINCINNATI—The agency department of Union Central Life has tape recorded round-table sessions of recent sales strategy board meeting for use in developing new sales ideas and improving those in operation. The recorded sessions were presided over by Wendell F. Hanselman, vice-president and superintendent of agencies.

Members of the board, selected on the basis of the year's sales records were: Samuel M. Sitomer and Sidney L. Wolkenberg New York, B. W. Arnold III and W. Bruce Pirnie of Boston, Walter Fox of Chicago, Lloyd Freeman of Philadelphia, Sidney C. Peters of Denver, Carl Slavosky of Cincinnati, Stephen Traub of Atlanta and Myron Williams of Columbus.

Streamlines App Blanks

New letterhead size application blanks have been introduced by General American Life. The new blanks incorporate many suggestions from the company's general agents advisory council, and include space for three references which can be used as referred leads. Many application questions have been eliminated and the same blank now can be used for various classes of insurance. The juvenile application also has been shortened and improved.

Massachusetts Mutual Gains

Massachusetts Mutual reported a record volume of $384,680,813 in new business for the first nine months of the year. Ordinary, up 14%, accounted for $324,117,054. Insurance in force rose to $4,189,516,332, ordinary in force increasing $184,936,142 to $3,767,534,430, and group and employe $55,837,868 to $421,981,902.

Los Angeles, with the highest volume and largest gain, led the 71 of the company's 90 agencies that showed nine-month increases.

Hear Texas Legislative Goals

Two legislative objectives of Texas Assn. of Life Underwriters were outlined at a meeting of Austin, Tex. Life Managers Club by Zollie Steakley, association counsel. They are an agent's qualification law and a law controlling those who set themselves up as insurance counselors.

Commission Increase Reported by Moorhead at LIAMA Meeting

Nineteen out of 79 companies made changes during 1954 in first-year commissions, 17 made changes in renewable commissions, and 20 in vesting provisions for renewal commissions, according to a LIAMA survey, E. J. Moorhead reported at a forum on current events in compensation at LIAMA's annual meeting in Chicago.

He said that 27 companies reported changes in their group life plans and 17 in their agent retirement plans. Thirty-three companies reported new or increased group hospital and surgical benefits, nine said they had added major medical, three weekly indemnity, and four polio coverage.

He also reported a survey by LIAMA of 37 companies operating in New York. This was completed last August as followup to an earlier survey. LIAMA wanted to find out whether there had been increases in compensation under new provisions of New York law.

Of the 37 companies, 25 general agency companies had increased commissions. Twelve had increased security benefits for established agents. Ten companies had increased commissions above 55% for established general agents. Seven companies had increased their training allowances for new agents and 9 had increased their first five-year compensation schedule for new general agents.

Among 12 branch office companies surveyed, six had increased their commissions for established agents and eight had increased security benefits. Nine reported increases in training allowances for new agents.

Herbert C. Skiff, Phoenix Mutual, moderated the panel, and six participants outlined principles behind their company compensation plans for supervisors and assistant managers. The speakers were Milton J. Goldberg, Equitable Society, Ward Phelps, Mutual of New York, Charles Edwards, New York Life, Seth C. H. Taylor, Sun Life of Canada, Robert A. Parish, Connecticut General, and J. E. Carnal, Occidental.

A four-man panel directed by Frederick A. Schnell, vice-president of Prudential, concluded the compensation forum with "a progress report on new agent financing plans." Panel members were James H. Denman, Massachusetts Mutual, W. C. Brudi, Lincoln National, and R. de Ward, Mutual Benefit Life.

Federal Life Names Four

Federal Life has appointed Searcy J. Graham and Joseph A. Gorman assistant superintendents of agencies, Thomas Johnson agency secretary and William Motter assistant to the comptroller.

Mr. Graham has been Federal's Denver manager. Earlier he was with Home Life and Prudential there. Mr. Gorman formerly was manager in the Philippine Islands for Lincoln National Life. Mr. Johnson has been in newspaper work and Mr. Motter was an examiner with the Illinois department.

Nat'l, Vt., Cuts Extra Air Premiums

National Life of Vermont has reduced most civilian aviation extra premiums, classifying private pilots according to their experience and current flying activity. Most will be accepted with an extra premium of $2.50 per $1,000.

The extra premium for scheduled airline pilots has been reduced from $3 to $2 per $1,000, and standard rates will be given where the plan is a short term endowment.

Military pilots and co-pilots between 30 and 34 now rate at $5.65 per $1,000, $2.85 under the previous rate. Crew members over 25 are also accepted at $5.65 per $1,000.

Harrison Nat'l Sells Stock

Authority to sell 100,000 shares of common stock was granted to Harrison National Life of Indianapolis by the Indiana department. The $1 par value stock will be sold at $3 each. Full authorized capital is 300,000 shares of $1 par value stock.

The stock will be distributed through Capitol Securities Co. of Indianapolis. The incorporators are L. H. Smith, New Castle; A. F. Nemeth, South Bend; D. M. Royer, Logansport; P. H. Wilkie, Rushville, the firm's general counsel; R. L. Perrine and Max J. Royer, both of Indianapolis.

Pollard Equitable District Head

Ewell L. Pollard has been appointed district manager in the Nashville office of Equitable Society. Kenneth W. Taylor will be his field assistant. Mr. Pollard joined Equitable in 1950 at Florence, Ala., transferring to Nashville in 1952. Mr. Taylor joined the company in 1953.

Groups Tell Committee Military Should Have Supplemental Insurance

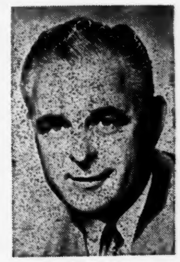
In a statement filed with the House select committee on survivor benefits, American Life Convention and Life Insurance Assn. of America reemphasized the opinion of the business that "there should remain an area of incentive for a serviceman to provide supplemental protection for his dependents through a personal insurance and savings program."

The two groups pointed out that life companies commonly issue complete coverage on servicemen during peacetime, and even in time of war will offer coverage against normal hazards. "In view of the availability of life insurance coverage for servicemen," they said, "we urge that the level of benefits provided by government not be so high that the serviceman won't create his own insurance estate."

In general, they maintained, survivorship benefits for servicemen should terminate upon termination of service, as in most civilian employer plans, but that the government should offer coverage without penalty to servicemen who have physical disabilities received in line of duty.

Levey Manhattan's Western Superintendent of Agencies

Harry Levey, partner in the Schloen-Levey general agency of Manhattan Life at Beverly Hills, Cal., since 1949, has been appointed western superintendent of agencies, effective Dec. 1. His headquarters wil be at the Beverly Hills agency, whose name has been changed to William J. Schloen Jr. & Associates.



Harry Levey

Mr. Levey entered the business in 1930 with Penn Mutual at Chicago and in 1933 joined New York Life at Los Angeles. He went with Manhattan Life in 1948 at Burbank, Cal.

• The Los Angeles office of the *California department* has been moved to 909 South Broadway.

Midland Mutual Boosts Dividend, Interest Scales

Midland Mutual Life has revised upward its dividend schedules and rates of interest paid on certain policyholder's funds, effective Jan. 1.

In general, dividends for policies issued after Jan. 1, 1948, will be increased by an additional excess interest contribution of .2 of 1% of the policy reserve. Policies with high cash values will qualify for larger dividends than those with low cash values. Dividends on term and mortgage redemption policies will be increased for most ages at issue due to a change in the expense assumptions for these coverages.

In many instances an allowance for improvement in mortality will be made for policies issued from Jan. 1, 1938 to Dec. 1, 1947, in addition to the excess interest contribution of .2 of 1% of policy reserve.

Except where there is a higher guaranteed rate, interest at the rate of 3¼% will be paid on dividends left to accumulate, interest of 2¾% will be credited on premium deposit funds and interest of 3% will be paid on policy proceeds held under supplementary contracts not involving life contingencies.

60 Attend Group Seminar

General American Life staged a group seminar in St. Louis with 60 field and home office personnel attending.

Speakers included Powell B. McHaney, president; Emil E. Brill, group vice-president; Ray Elyh, group actuary; L. W. Kauble, superintendent of group sales, and F. E. Thompson, group field supervisor.

Monumental Staff Managers Meet

A staff managers conference of Monumental Life was held at the home office in Baltimore. Nine leading staff managers from districts throughout the country were selected to participate in the full program. Four Baltimore staff managers were invited to attend the last two days.

Wood Answers Advocate of Mutual Fund Tie-in Sales

Arguments of agents opposing the tie-in sale of life insurance with mutual investment funds in California were voiced by R. Edwin Wood, associate manager for Phoenix Mutual Life, and carried in the *San Francisco News*.

About a month ago John Piper, financial editor, in a lengthy story in favor of lifting the ban on such package deals in the state, had indicated that California's new corporation commissioner should reverse the decision of his predecessor, disallowing such tie-ins.

Mr. Wood was quoted as saying that life insurance should be purchased for protection and as a basic family backlog, while common stocks should be bought for speculative needs above family requirements. Any attempt to combine the two elements was described as illegitimate.

Mr. Wood is quoted as saying there is evidence in states where tie-in sales are permitted that many purchasers of the package deal are in great need of more life insurance. He also pointed out that life insurance can include disability protection not offered to the mutual fund buyer, the policy cash value is exempt from attachment of creditors, and that life insurance offers tax advantages.

Milwaukee Managers Meet

George A. Knutsen, manager of Mutual of New York, and Frank C. Hughes, general agent of Mutual Benefit Life, were speakers at the November meeting of Life Managers and General Agents Assn. of Milwaukee. A roundtable discussion followed the talks.

Mass. SBLI Cuts Premiums

A new life policy with reduced premiums and lower net cost is now being sold by members of the Massachusetts savings banks life system. The new policy is available in amounts from $3,000 to $25,000.

Whorf LIAMA School Head, Cummings, Ferris, Reid, Smith, Promoted

William H. Whorf has been appointed director of schools for Life Insurance Agency Management Assn., replacing Brice F. McEuen, who has been named agency director for Lamar Life.

Promoted from consultants to senior consultants were William O. Cummings, Stuart C. Ferris, Charles K. Reid II, and Stanford Y. Smith.

Mr. Whorf joined LIAMA in November, 1951, and was appointed senior consultant the following year. He started with Paul Revere Life in 1948.

Mr. Cummings was Julian Price lecturer in insurance at University of North Carolina before joining LIAMA. Before that he was with Aetna Life, Connecticut Mutual, Continental Assurance, and Kansas City Life, and acted as special consultant on the management program to the dean of American College.

Before joining LIAMA Mr. Ferris was director of education and sales promotion with Monarch Life of Massachusetts. He entered the business with Travelers.

Mr. Reid was assistant manager of the Marsh agency of Lincoln National at Washington, D. C., before joining LIAMA. He started in insurance with Union Central Life and later went with Connecticut General.

Mr. Smith was a Liberty National Life manager before joining LIAMA. He entered the business in 1940 with Brown Service Ins. Co.

Myer Leads Mutual, N. Y.

Myer agency, New York City, led Mutual of New York agencies in volume sold and number of policies issued during the first ten months of this year. Persons agency, Chicago, is second in volume and Hodgkinson, San Diego, is second in policies.

A&H production standings show the Sumner agency, Toronto, in first place for volume, with the Eve agency at Vancouver second. Other agency leaders in A&H were Myer, Billings, Mont., and Grand Rapids.

Expand Beneficial Life Home

A new eight-story building in Salt Lake City to be occupied principally by Beneficial Life is planned for early spring construction. To be constructed and owned by Zions Securities, the building will be used by Beneficial in addition to its present home office quarters.

The new $1 million structure will be built at 75 West South Temple and its floors will coincide with those of the present Beneficial Life office.

Stage L. A. Planning Rally

Advancing the event from a December date, Los Angeles Life Managers Assn. staged its annual planning session with Robert L. Woods, Massachusetts Mutual Life, heading the panel.

Participants were Lloyd LaFot, New York Life; Sid Stewart, Pacific Mutual Life; William Rohloffs, Mutual of New York; John Russon, Massachusetts Mutual, and Ralph W. Fischer, Northwestern Mutual Life.

Life & Casualty Changes

Life & Casualty has promoted R. M. Kraft of Gulfport, Miss., to district manager at Meridian, Miss., Hayden T. Ford to manager of the new district office at Gadsden, Ala., and M. A. McCombs of Austin to district manager at Brownwood, Tex.

Among those transferred were E. L. Fulmer, manager at Anniston, Ala., to Corpus Christi; J. K. Kolb, district manager at Meridian, to Cleveland, Tenn., succeeding the retired manager, J. H. Palmer; and W. A. Riggs, manager of the Waycross, Ga., district, to the new district office in Valdosta, Ga.

New districts have been created in Lubbock and Waco, with W. W. Thomas transferring from Brownwood to be manager of the Lubbock district, and E. G. Carpenter being promoted to manager of the Waco district.

More New Texas Insurers

Several new companies have been licensed by the Texas department.

Merchants National Life of Denton, of which J. B. Clark is president, begins with capital of $26,040.

Spartan National Life of Dallas is starting with capital of $100,000 and surplus of $12,500. Lester C. Shine is president.

Royal Union is a new Houston insurer, beginning with capital of $100,000 and surplus of $75,000. Raymond Holland is president.

Permian Basin Life of Odessa is headed by W. D. Autry and starts with capital of $25,000 and surplus of $12,500.

Two new Houston insurers are Guaranty National Life, headed by Lee Wiley and starting with capital and surplus of $264,014, and Texas Home, which has capital of $25,000 and surplus of $12,500, and whose president is O. K. Reinhardt.

Old National of Houston has reinsured Fuller Life of Austin, a mutual aid association organized in 1935.

Cal. Premium Tax Case Won by Occidental

LOS ANGELES—Occidental Life of California has won a decision in courts here on the question of California taxes on premiums collected at Reno, Nev., from policyholders residing in states in which Occidental was not licensed at the time of collection.

These premiums were paid by persons who were residents in states where the company was licensed when policies were issued, but subsequently moved to states in which the company was not licensed.

State tax authorities opposed Occidental's view that this was not business done in California and subject to the state tax. When the dispute arose Occidental was not licensed in 12 states. The question involved is becoming less significant because Occidental now is licensed in all but three states.

It is not yet known if the attorney general will appeal the decision to the state supreme court.

● Karl A. Albrecht, Milwaukee district manager of the social security administration, discussed phases of the amended act at the November meeting of *Milwaukee Life Cashiers*.

Top Mutual Benefit Life Agents Meet in Ga.

The top 25 agents and general agents of Mutual Benefit Life met to exchange "million-dollar ideas" at the annual meeting of National Associates at Sea Island, Ga. William T. Larsen, Newark, was in charge of the meeting as 1954 president.

Home office representatives included H. Bruce Palmer, president; Richard E. Pille, Charles G. Heitzeberg and William F. Ward, vice-presidents; John J. Magovern, Jr., vice-president and counsel; James C. Wriggins, assistant counsel, and Mildred F. Stone, staff assistant. Mr. Magovern and Mr. Wriggins led a 1-day discussion of the new revenue code.

Greville Asst. SS Actuary

WASHINGTON—Thomas N. E. Greville has been named assistant actuary for the social security administration. A fellow of Society of Actuaries, he was formerly with Acacia. He taught actuarial science at Michigan University, served in the census bureau office of vital statistics and for the past two years has been assigned by the U. S. government as consultant on vital statistics to the Brazilian government.

EDITORIAL COMMENT

Automation—a Threat and a Challenge

Brains have always been important in life insurance sales competition. Now, into the intensifying inter-company cost rivalry comes a new kind of brain—the electronic variety. We are told it can make important, perhaps vital, differences between the net cost positions of companies that use it and those that don't. If that is so, and there seems no reason to doubt it, the merchandising of life insurance in the next decade could change in ways that today seem fantastic.

What are some of the things that automation could do for—and to—the life insurance business? How can high-speed electronic computers affect life insurance net costs? How might they affect competition in still other ways,

First of all, the life insurance business is a "natural" for automation. Much has been done in that direction but it is small in comparison with what could be done. So much of life insurance operations is paper work that the business has never been able to apply mass-production techniques to anything like the extent they have been used in many types of manufacturing. The transfer of information to tabulating punch-cards was a tremendous step for life insurance. But it is dwarfed by a machine that can record and store information as impulses on magnetic tapes and yet make the data instantly available for reproduction or use them to compute almost any conceivable kind of answer in a fantastically brief time.

What, then, are some of the things that might be done if it were possible to record a vast variety of information cheaply, quickly, store it compactly, and utilize it to come up with answers that with conventional methods are impracticably difficult to obtain,

Even assuming that the life insurance business were run just as it is now, the economies effected by automation would cut costs and make operating results and other information available far more rapidly than is possible at present. That in itself would have quite an effect on a company's net cost position and the rapidity with which it could supply information to an agent to pass on to a prospect. This rapid service may often be as important in clinching a sale as the cost factor.

But what about other effects, such as the use of automation to provide exact figures in place of the approximations necessarily relied on at present? Might it not change the entire handling of substandard insurance, for example? Instead of setting up the usual classes of substandard risks and attempting to fit impaired lives into the proper slots, a company could merely feed the applicant's data into a machine and out would come a premium rate that would reflect the degree of extra hazard with a precision entirely impracticable with today's methods.

No reason, either, why the same system couldn't be used to provide far more accurate rates for applicants who now fall in the general broad classification of "standard." Perhaps in automation there will be found the puzzling question of how much less a policyholder should pay because he buys a $10,000 or $20,000 policy instead of one for $2,500. Automation used in cost accounting could determine how much credit should be allowed for each additional $1,000 of policy size. And automation could include that factor in coming up with the proper premium rate for each applicant.

Thus, instead of being treated with the approximate equity that results from today's methods of categorizing applicants, each insured through automation would pay a rate—or receive a dividend—far more in accord with the actual risk he—as an individual—constitutes.

The cost to each policyholder could be made to reflect factors that many companies cannot now take into consideration even though doing so would produce considerably more equitable treatment than is now possible. For example, it should be entirely practicable to reflect the general level of health in the policyholder's region, if there were differences sufficient to affect mortality. Policyholders living in states with low or high premium taxes could be charged rates or paid dividends reflecting these tax variations.

Charging the policyholder a rate or paying him a dividend that reflects his risk-status with the highest accuracy could be an important competitive factor. Those who would enjoy a lower cost by this more precise method of classification would tend to prefer the company that used this classless plan of gradation. Those who would be charged more than under the traditional method would of course tend to prefer the company employing the latter system. This would result in selection against that type of company, and in time its net costs would be forced upward, making its competitive position still more difficult.

Not the least important use of automation could be to evaluate the performance of agents in such a way as to throw new light on the factors that make for success or failure. Discouragingly little is known about these that can be put to practical use. Records could be kept with accuracy and in detail that would be prohibitively costly with today's usual methods, while analysis of the resulting data could be completed at low cost and with a promptness that would add greatly to their value.

A disturbing aspect of the approaching widespread use of automation is the high unit cost of the machines. How many of the country's nearly 900 life companies are going to be able to afford one of these machines, even on a rental basis? If ways cannot be found to make the tremendous economies and other advantages of these electronic brains available to the smaller companies, the life insurance business may find itself in somewhat the position of the automobile manufacturing business. Mass production in that industry has become so efficient that even the smallest manufacturer is running a tremendous operation. The rest have all been forced out because they couldn't sell enough to take advantage of the cost savings in mass production.

Fortunately for the outlook of the smaller companies, nobody has yet invented a machine that will *sell* insurance. And it is amazing how effectively a good salesman can keep differences in net cost between his company and a lower-cost insurer from assuming decisive importance in the prospect's eyes. Yet costs are a factor and promise to be even more of one in the buyer's market that seems to be here to stay for a long time to come.

Hence, it seems highly desirable that attention be given at once to the matter of making automation facilities available to companies that would be too small to afford to rent a machine. Perhaps the answer would be a number of automation centers in strategic locations with which home offices could communicate by leased wire or to which they could send their magnetized record-tapes for use in computations that would be made for the company at the automation center.

Once the importance of automation to the life insurance business is seriously appreciated, the ingenuity that developed the electronic brains should be equal to the task of making their services available to the smaller life companies as well as to those large enough to rent or buy one.

No one can even guess the full eventual effect of automation on the life insurance business. But plenty is known to make it clear that every life company, large or small, should do its best to appraise the challenge of this new force and decide what to do about it.

PERSONALS

Powell B. McHaney, president of General American Life, has received the St. Louis Award, that city's highest recognition for civic accomplishment. The award cited Mr. McHaney's years of community service, especially his achievements of the past year. He headed a citizens committee which successfully backed a drive for favorable action on a city earnings tax. He also was the first president of Civic Progress, Inc., dedicated to betterment of the city, was president of University of Missouri board of curators and played a vital role in a host of other civic projects. The financial reward in connection with the honor was dedicated by Mr. McHaney to his predecessor at General American Life, the late Walter W. Head, and the money will go to a Boy Scout chapel.

The fourth generation of a famous insurance family became represented in the business when **Harry Santen** joined the William T. Earls general agency of Mutual Benefit Life in Cincinnati recently. His great-grandfather, Thomas E. Gallagher, was western manager of Aetna Fire, first in Cincinnati and later in Chicago, and his grandfather, W. A. Earls, is president of the Earls-Blain agency. Two other uncles, T. W. and J. V. Earls, brothers of W. T. Earls, are officers of the Earls-Blain organization and a granduncle, Vincent Gallagher, is U. S. manager of Pearl in New York.

Mr. Santen is a graduate of Georgetown University and a Korean veteran.

Leland F. Lyons, field vice-president of the greater New York division of New York Life, has been appointed national chairman of the committee on annual giving of St. Lawrence University alumni council for 1955.

Asa V. Call, president of Pacific Mutual Life, has been reelected a trustee of University of Southern California.

O. Kelley Anderson, president New England Mutual, has accepted the Massachusetts chairmanship of the 1955 Heart Fund campaign.

DEATHS

HARRY B. HOUGHTON, founder of National Aid Life Ins. Co. and National Aid Life Assn., a mutual benefit assessment concern, of Oklahoma City,

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BOSTON 11, MASS.—207 Essex St., Rm. 421, Tel. Liberty 2-1402. Roy H. Lang, New England Manager.

CHICAGO 4, ILL.—175 W. Jackson Blvd., Tel. Wabash 2-2704. O. E. Schwartz, Chicago Mgr. A. J. Wheeler, Resident Manager.

CINCINNATI 2, OHIO—420 E. Fourth Street, Tel. Parkway 2140. Chas. P. Woods, Sales Director; George C. Roeding, Associate Manager; George E. Wohlgemuth, News Editor; Roy Rosenquist, Statistician.

DALLAS 1, TEXAS—708 Employers Insurance Bldg., Tel. Prospect 1127. Alfred E. Cadis, Southwestern Manager.

DETROIT 26, MICH.—607 Lafayette Bldg., Tel. Woodward 1-2344. A. J. Edwards, Resident Manager.

KANSAS CITY 6, MO.—605 Columbia Bank Bldg., Tel. Victor 9157. William J. Gessing, Resident Manager.

MINNEAPOLIS 2, MINN.—558 Northwestern Bank Bldg., Tel. Main 5417. Howard J. Meyer, Resident Manager.

NEW YORK 38, N. Y.—99 John Street, Room 1103, Tel. Beekman 3-3958. Ralph E. Richman, Vice-Pres.; J. T. Curtin, Resident Manager.

OMAHA 2, NEBR.—610 Keeline Bldg., Tel. Atlantic 3416. Clarence W. Hammel, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad Street, Room 1127, Tel. Pennypacker 5-3706. E. H. Fredrikson, Resident Manager.

PITTSBURGH 22, PA.—503 Columbia Bldg., Tel. Court 1-2494. Bernerd J. Gold, Resident Manager.

SAN FRANCISCO 4, CAL.—Flatiron Bldg., 544 Market St., Tel. Exbrook 2-3054. F. W. Bland, Pacific Coast Manager.

died there as a result of injuries received as he stepped into an elevator shaft in his own home and fell from the main floor to the basement. National Aid Life was reinsured by Atlas Life in 1936 and the assessment association was reinsured in 1945 by Reserve Loan Life, subsequently also reinsured by Southland Life.

JOHN G. MADDEN, 31, American Life Convention attorney, died suddenly in St. Elizabeth's hospital, Chicago. He had been hospitalized for an ulcer condition and died of a coronary embolism following an operation. Mr. Madden had been a member of ALC headquarters legal staff since 1950. A legislative analyst, he was engaged in research and preparation of the convention's legal bulletins and law digest. Graduating second in his class from DePaul University College of Law, Mr. Madden received his LL.B. in 1949. He was an army veteran of World War II.

GEORGE REDDING, 71, New York Life, Great Falls, Mont., died in a hospital there after a short illness. He had been with the company since 1924 and in 1936 was president of Montana Assn. of Life Underwriters.

WILLIAM C. FRYE, 77, a prominent retired Milwaukee industrialist and a trustee of Northwestern Mutual Life, died in a Milwaukee hospital of a chronic heart ailment.

HARRY M. PIPER, 65, agency director at Bristol, Tenn., for Atlantic Life, died. He had been president of Bristol Life Underwriters Assn.

Cooper, Pacific Mutual Actuary, to Retire Dec. 1

Leslie J. Cooper, associate actuary and tax counselor of Pacific Mutual Life, is retiring Dec. 1 after more than 43 years' service with the company.


Leslie J. Cooper

After working in nearly all the home office departments Mr. Cooper was made assistant actuary in 1924, associate actuary in 1936 and head of the policy contract department in 1940. Three years later he also acquired the added designation of tax counselor and in this position he has had much to do with the shaping of insurance taxation in California. He also gained wide acquaintance among state insurance officials and company executives throughout the country through his tax work.

He is a charter member of both Pacific States Actuarial Club and Los Angeles Actuarial Club, and is a past president of the Pacific States club.

Union Agency Deplored

New York City Life Underwriters Assn. board deplores the formation by Local 802, Musicians Union, of a nonprofit corporation to collect insurance commissions. The corporation has been licensed as a life and A&H agent by New York insurance department.

Stating that "we regard this encroachment as leading to the possible destruction and eventual elimination of the agent and his service to the public," the board appointed a special committee to investigate. The committee will work with the association's legal counsel, the state and national associations, General Brokers Assn., of New York City, the companies and the New York department.

PEPTIC ULCER *Personality Is Predisponent*

By DR. HARRY DINGMAN

Peptic Ulcers—A digestive erosion in gullet, stomach or upper bowel. Sometimes called the American disease. High geared, high pressure persons are particularly prone. Said one high executive—"Sure I have 'em. I give 'em, too."

Cause is controversial. Hyperacidity is undoubtedly a potent factor. No less so than nervous and mental attitudes. Treatment for cure of peptic ulcer is foredoomed, but recognition of ulcer type and sensible attention thereto permits gratifying relief—not cure, relief —in 85% of cases. Fifteen per cent need surgery. Surgery may remove offending tissue, but does not change the characteristics, compulsions, moods, tempers, and urges that nature gave. There is a definite type of person who gets a peptic ulcer. He is lean, energetic, emotional, impatient, impulsive, irritable, intense and a first class warrior. He smokes too much, drinks too much, swears too much, eats too much. He specializes in excesses. Quick tempered, quick moving, he is hyperactive, hyperirritable, hypersensitive. He becomes nervous and emotional without half trying. This general observation is confirmed statistically. Comparing 250 peptic ulcerites with a control group of 7500 normals, peptic ulcer individuals were the average weight or less, had average chest girth or less, and blood pressure readings were lower than normal (Robinson and Brucer).

We like to believe that peptic ulcer type is civilization type. Such go-getters as we are. So ambitious. So insistent. About 10 or 12% of general population have or have had peptic (Portis and Jaffe). And on the increase. A 50% increase in the army in 1930's (Kantor). A 9 times increase in Bellevue hospital admissions between 1910 and 1931 (Hinton). And once you get it you got it. You may get better, but you do not get well. You learn to favor yourself with simpler foods. If you do not, you suffer. If you do you get remissions just the same, but less severe. It is a life-long disease (Alvarez). Only 17% of 155 peptic ulcer patients were symptom free five years after treatment. And then what happened? More than half of the 17% had a relapse (Sandweiss). Without expert x-ray help the average practitioner will diagnose only one third of peptic ulcer cases (Alvarez).

Most peptic ulcerites are not hospital—nor even house—confined. They learn to live with their adversity. Subconsciously almost they avoid foods that are distressing. But they can't control their tempers, and they can't stop worrying and about 15% of duodenal ulcers will perforate and 30% of stomach ulcers will bleed, and then comes surgery.

This is an excerpt from the new edition of "Risk Appraisal" by Dr. Harry Dingman, vice-president of Continental Assurance. Acknowledged as an authoritative work throughout the insurance world, more than 800 life and A&H companies use the book as a basic text. It has received enthusiastic praise from many million dollar producers. The new edition now is available from the National Underwriter Co., 420 East Fourth street, Cincinnati, or any of its branch offices. The price is $12.50.

Siverts Joins Midland National

Richard H. Siverts has been appointed brokerage manager in Los Angeles for Midland National Life. In insurance since 1946, Mr. Siverts for two years has been assistant brokerage manager of the De Vries agency of Occidental Life of California in Los Angeles. Patricia Kinkelon, who has 11 years of insurance experience, will be associated with Mr. Siverts as brokerage secretary.

Lincoln National Makes Several Group Promotions

New Lincoln National Life assistant group sales managers are C. T. Hellmuth for the east coast, and W. A. Ralston for the west coast. D. J. Neuhouser has been named regional group manager at Washington and G. L. Lisle group manager at St. Louis.

Mr. Hellmuth, who has been assistant group sales manager for the southeast since 1951, joined Lincoln National in 1950 after service with an employe benefit consultant firm in Washington. A CLU, he will have headquarters in the new Washington group office which will move Dec. 1 to Silver Spring, Md.

Mr. Ralston joined the company in 1946 and two years later became regional group manager at Los Angeles.

Both Messrs. Neuhouser and Lisle joined the company in 1953. Mr. Lisle will assist F. N. Berghoff who has been regional group manager in St. Louis since 1950.

Name ABA Insurance Committee Chairmen

Chairmen of committees of American Bar Assn.'s insurance section have been named by Chairman Walter A. Mansfield, Detroit. Those of interest to life insurance persons are:

Compulsory non-occupational disability benefits, James K. Honey, Life Insurance Assn.; A&H, C. C. Frazier, Frazier & Frazier, Lincoln, Neb.; insurance law education, Harlan S. Don Carlos, general counsel of Travelers; life, John V. Bloys, Life Insurance Assn.; membership, Victor A. Lutnicki, 2nd vice-president and counsel John Hancock Mutual; publications, Hugh E. Reynolds, Slaymaker, Locke & Reynolds, Indianapolis.

Also, public relations, Lowell D. Snorf, Jr., assistant general counsel Lumbermens Mutual Casualty; regulation of insurance companies, J. Roth Crabbe, Ballard, Dresbach, Crabbe & Newlon, Columbus, O.; rules and procedure, Robert P. Hobson, Woodward, Hobson & Fulton, Louisville; trial tactics, Wayne E. Stichter, Effler, Eastman, Stichter & Smith, Toledo.

Lauds Equity Plan as Meeting Slow Inflation

(CONTINUED FROM PAGE 3)

paid out, and the trend of history is against this gamble. Secondly, the entire point of a mutual fund as against individual investment in common stocks is to achieve a balanced portfolio in which a diversity of holdings will provide a hedge against periods of inflation and deflation. Risk, he said, is not attained by trying to avoid all risks, which is impossible, but rather by intelligent choices among risks and balancing risks against each other.

The insurance business cannot remain complacent in the face of these long-term inflationary trends, Mr. Rennie declared. Although the proportion of income spent on insurance has been very stable since 1941, other forms of saving have been shooting up. In recent years corporate securities savings have risen almost six times as fast as life insurance savings. People are looking for inflation insurance.

Farm Bureau thinks there could be any number of plans to meet the problem of slow inflation, Mr. Rennie said, and he mentioned the College Retirement Equities Fund as one of these. "Perhaps," he said, "your own life companies will come up with other plans which are better still."

Life insurance agents are the logical choice to sell plans for long-term insurance and investment, Mr. Rennie maintained. Agents are trained to analyze and understand the financial requirements of American families over a period of years, and with additional instruction they will be capable of so combining insurance and purchase of mutual shares as to satisfy their clients' desires to the maximum.

This does not mean, he added, that agents will become experts on the stock market, for they will be concerned only with the proper combinations of mutual shares and insurance to meet the customers' needs. The purchase of stocks is entirely in the hands of the managers of the mutual fund. The agent has absolutely nothing to do with this. His function remains that of helping the client to decide what combination of mutual shares and insurance will best suit him.

Mr. Rennie and Mr. Benner were presented by Harry K. Gutmann, Mutual of New York, president of the association. The meeting was well attended, and the audience followed the speeches with obvious interest. There was a short question and answer period.

Mutual Fund-Insurance Sale Called Incompatible

(CONTINUED FROM PAGE 3)

lowed, but since the element of risk is inherent, only those should invest who have an adequate life insurance program.

Contrasting the security of life insurance returns with the fluctuations of equity investments, Mr. Benner said that over the years the public has come to realize that the dangers of speculation have been almost entirely eliminated in life insurance.

"Does it not behoove us to be on our guard," he said, "lest the public unwittingly be led to think that the danger of price fluctuation, inevitable in the purchase of common stocks, is removed merely because the transaction has some connection with life insurance?"

Without saying anything untrue about insurance, the picture that the mutual fund salesman will draw of life insurance is almost certain to be one-sided, Mr. Benner said.

"Primarily interested in selling investments, he will tend to overlook insurance's most distinguishing and valuable characteristic, its protective features which are so imperatively needed in our society all the time, irrespective of any and all business conditions."

War inflation has penalized insurance beneficiaries, he conceded, but financial upheaval may penalize stock investors. There are fads in investment, and one of the functions of life insurance salesmen is to resist these fads. The public is almost always wrong in investment matters, buying when it should sell, and selling when it should buy. Despite popular belief that business depressions are a thing of the past, agents can render no greater service to their clients than to encourage them to review carefully their family obligations, and to point out how almost always they carry inadequate life insurance to guarantee their family the standard of living which they would like to give them.

Mr. Benner summarized his objections to life insurance companies selling mutual fund shares by saying:

1. It will make it difficult to train agents and will destroy their effectiveness as salesmen of convention life insurance.

2. The popularization of mutual funds by life insurance salesmen will tend to undermine the public's faith in the ultimate value of insurance and destroy to a large extent the effectiveness of the sales appeal of conventional policies.

3. If stock prices go down and return to investors decreases, their dissatisfaction will extend to the insurance companies which have tied themselves to stock sales.

4. Popularization of mutual funds by insurance companies will seem to be an admission of the inevitability of inflation, and this public admission of doubt about the value of our currency would be contagious and would itself tend to inflation. Thus companies would be contributing to the very malady they are trying to guard against.

5. The wise policy for insurance companies is to fight inflation, not to throw in the sponge and try to protect its clients through makeshift couplings of insurance with mutual funds.

Life Companies' Investment Funds Exceed $4 Billion

With an increase of $1,381,000,000 in life insurance financing funds in the third quarter, the total for the year to date is now $4,161,000,000, Institute of Life Insurance reports. Total assets of U. S. life companies on Sept. 30 increased to over $82,360,000,000.

Distribution of these funds has resulted in a rise in the nine months of $1,760,000,000 in real estate mortgage holdings, $1,931,000,000 in corporate securities, and $517 million in state, county and municipal bond holdings.

Total real estate investment increased $211 million to $2,205,000,000, three times what it was eight years ago.

1,200 See MONY Show

NEW YORK—More than 1,200 attended the showboat type musical presented by members of Mutual of New York's Mutual Life Assn. as part of its annual entertainment and dance. The show was produced by Miss Madalyn Gomber and Raymond Cleary and directed by Miss Gomber. The association is the social and athletic organization of Mutual's home office employes.

Allison to Denver for Aetna Life

Earl L. Allison has been appointed assistant general agent of Aetna Life at Denver. He joined the company at San Diego and has been agency assistant at Hartford since 1953.

Insurance Buyers Discuss Trends in Medical Cover

(CONTINUED FROM PAGE 7)

company found that 80% of its cases cover total groups as opposed to executive groups, but some of the cases in the 80% cover salaried employes only. The third company found not much trend in this direction, while the fourth noticed that two-thirds of the cases written before 1953 were limited to executive groups, while in the last two years this percentage is only 40.

Mr. Whittaker ventured the opinion that the ultimate solution will be to throw out all basic coverage and have a major medical plan with a $50 or $100 deductible.

Is most major medical business still on employe-pay-all, or is there employer money going in, especially when lower income groups are covered?

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The first company has made a strong attempt to resist the employe-pay-all plan because it is convinced that the coverage cannot be underwritten and administered for any length of time this way any more successfully than group life insurance. The second company had 28% of its cases on the employe-pay-all basis, 22% with an employer contribution of less than 50%, and 48% with the employer paying more than half. The third company has nearly all of its plans with an employer contribution.

Mr. Whittaker said the trend seems to be in the direction of more employer contribution, and he said this is desirable from the point of view of dividend equities.

He asked the insurers whether there is a demand for a deductible based on per person per year (time-dollar approach) rather than each illness.

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The first company has a plan it calls the "all cause-calendar year" deductible and finds it is simple to explain. It feels the deductible is the amount of money an employe can conveniently budget for himself, and if this theory is correct there should not be a separate deductible for each disability. This line of reasoning would get into the establishment of a family deductible, but the company has not been too successful working out such a scheme.

The second company has found no demand for the time-dollar approach, and the third company has revised its portfolio and is emphasizing the calendar year deductible per person, again on the theory that it is the most understandable to the public and will simplify claim administration.

This is an area in which companies have a difference of opinion and one in which Mr. Whittaker said the experience will have to determine the answer. The same difference of opinion between company holds to the question of whether there should be lifetime totals per person with liberal reinstatement rights or a maximum amount paid for each illness.

Mr. Whittaker asked the insurers whether they are writing many cases with a flat deductible and no integration, or whether they have been successful in writing cases on top of an existing Blue Cross and/or Blue Shield plan.

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The first company said it has used the approach of keeping the deductible constant but varying the premium and the amount of employe contribution depending upon the value of Blue Cross-Blue Shield benefits. The premium and employe contribution for major medical increases as the cost of basic Blue Cross-Blue Shield decrease. The second company has not written a flat deductible with no integration since 1953, and has found almost no demand for them. It does not write many cases involving superimposing major medical on top of existing Blue Cross-Blue Shield, primarily because it has been selective in underwriting this class of business. Most of the requests in this area involve only the executive groups, and in the opinion of this company are not satisfactory.

A third company has made a few quotations with a high flat deductible of $750 or $1,000, but has not actually written any groups on that basis. Although there have been a number of quotations for major medical on top of Blue Cross-Blue Shield, this company has only eight applications for that type of plan, and it is not enthusiastic about them.

Mr. Laird of Standard Oil and Mr. Stubbs of Sears gave the details of the catastrophe plans they use. Both have basic hospitalization-surgical plans, with the major medical on top. Neither of the major medical plans have been in effect long enough for reliable statistics to be obtained. Sears covers all employes, while the Standard Oil plan is presently limited to those in the $750 a month or more income bracket.

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The discussion which followed the three prepared papers stressed the growing appeal of this coverage to employes in lower income brackets. This had been brought out by Mr. Whittaker and Mr. Stubbs.

Answering a question about the success of insurance companies in selling to lower income employes, Mr. Whittaker said he thinks these people like it better than higher paid executives

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and the only cases he knows about where management has been unsuccessful in promotion have been those where the benefits have been too low. He says he is convinced it is a mistake to try for low premiums and that he has been literally amazed at the way run of the mine employes will buy higher benefits and pay premiums which employers often hesitate to offer them. In one department of Prudential which consisted of 200 girls, mostly about 17 years old and all unmarried, 92% bought the coverage and 100% of the employes of Prudential's laundry enrolled.

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On the question of graduated deductibles for employes in different earning brackets, Mr. Whittaker said in his opinion this principle is desirable if the employe pays all or part, but not if the employer pays all the costs. In the latter case, he said he thinks the deductible should be uniform and any advantage which the upper bracket executive gets by virtue of the low deductible should be regarded as additional compensation. Mr. Stubbs said that under the Sears plan, which has a graduated deductible, all employes pay the same rate, which runs from 50 cents to $4 per four week period. His company and its insurer (Connecticut General) regard this as equitable, because the higher salaried executive is apt to demand more expensive medical and hospital treatment, so it expects that this would just about cancel out the higher deductible for higher salaried people.

On the question of abuse of benefits, Mr. Laird said that so far his company knows of no case of overcharging or flagrant over-use of private nursing and other services. Mr. Stubbs said the same has been true of his firm. Mr. Whittaker said that in the rare cases where Prudential has encountered this, it has been successful in going directly to the doctor and, if it can get no satisfaction there, going to the local medical society appeals board. These boards have been very cooperative, because American Medical Assn. is currently very sensitive about complaints of over-charging, and it is believed that these boards will become an increasingly potent factor. Organized medicine, he said, wants to cooperate with private insurance as an off-set to socialized medicine and the medical societies are determined that private insurance shall not be abused.

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Mr. Whittaker got a laugh when he listed some claims which have been made under this coverage, such as for whiskey in cardiac cases, the cost of buying and installing a water softener for a policyholder who had kidney trouble, air conditioning apparatus for asthmatics and the like. The most expensive claim—which Prudential turned down—was for the cost of installing a swimming pool for therapy for a claimant who contracted polio, and the smallest was $7.50 for a special toilet seat with arms for a victim of sclerosis.

All three panel members agreed that at present there seemed to be no market for major medical expense insurance with no top limit. Most policies have a top of $5,000, but some companies will go as high as $10,000. More experience and more knowledge of the situation seems to be indicated before higher limits can be expected.

In connection with the desirability of employer paying all, employe paying all, or contribution by employer and employe, it was brought out that there are many factors within the particular organization to be considered. For example, Mr. Laird said that Standard Oil feels that its very liberal salary continuance plan justifies its expecting its employes to pay all the cost of major medical expense insurance and so far it has had no complaint on that score. Mr. Stubbs said that the Sears philosophy is that it will subsidize, through contribution or otherwise, anything of real help to employes, but will never do anything without employe contribution.

On the question of deductibles, it was brought out that most of the contracts now in force have a separate deductible for each member of the family. The Sears plan provides along these lines, but in case of accident involving more than one member of the family, the deductible applies singly to the accident. There is a demand for an annual family deductible, instead of a single illness or accident deductible, and such coverage is available, but at the moment not much of it is in force.

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Mr. Whittaker said that he would like to see all basic hospital plans dropped and replaced by a single major medical expense plan with a deductible of $50, or preferably $100, but the public is so thoroughly sold on hospitalization insurance that it will be a long time before this will happen, and that any attempt to eliminate hospitalization coverage which pays small expenses is certain to run into union trouble in many industries. At present, the major medical insurers are trying to live with the situation and are willing to work out plans which will be integrated into Blue Cross and other hospitalization contracts.

Pru. Names Brinkley, Pilkenton

Named as Prudential district managers are George B. Brinkley at St. Joseph, Mo., and Wiley J. Pilkenton for the Plaza office at Kansas City. Mr. Brinkley replaces J. H. Foertsch, who relinquished his duties because of ill-health but will continue as a Prudential manager unattached.

Mr. Brinkley joined the company at Topeka in 1946, later serving as staff manager at Emporia and Manhattan, Kan. With the company since 1940, Mr. Pilkenton has been a training consultant in the southwest home office at Houston.

Heart Film To Be Previewed

"A Matter of Time", a film giving a progress report on heart research, will be shown Nov. 23 at the RCA Exhibition Hall, 40 West 49 street, New York City. The film was developed by Life Insurance Medical Research Fund and Institute of Life Insurance.

FTC May Act on 'Special' Policies, N. Y. Dept. Hints

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sion. A prefatory note stated that "the writing of life insurance on so-called special policy forms at reduced premium rates and with minimum amount restrictions . . . presents questions which are pertinent in considering the statutory provisions prohibiting unfair discrimination between individuals of the same class and equal expectation of life."

Some of the questions listed were these:

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- May a special form be recognized merely because the plan of insurance differs from another plan of insurer even though the difference is of minor consequence, such as paid-up at 95 contrasted with a whole life plan?
- May the use of a special policy form be justified solely by reason of a specified minimum or is selective underwriting a requisite?
- Should special policy forms be confined solely to a single plan of insurance or to a relatively few plans of insurance?
- May a lower premium rate, such as a reduction of 15%, be charged on special policy forms as compared to that charged for regular policies which are otherwise quite similar?
- Is a lower premium rate justified solely as a consequence of the lower commission charge resulting therefrom?
- May the premium rate be lowered on account of the assumption of a higher interest rate for reserves and nonforfeiture benefits for special forms as compared with the assumption for the other plans, i.e., 3% versus 2½%?
- Is it proper to advertise that savings may be made by a policyholder through a reduction of premiums by purchase of insurance in a specified minimum amount of insurance without coupling such statement with the fact that the reduction in premium is available only through the purchase of a special form?
- Should not the reduced rates on account of size be made applicable to all plans of insurance as in England?
- What is the responsiblity of the insurer in issuing a special form to demonstrate on an actuarial basis, including cost studies the justification for the premium rates charged and the dividends apportioned?

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In response to Mr. Straub's questioning, James Phillips, vice-president and chief actuary of New York Life, said that basic factors in the issuance of special policies include equity as between various classes of policyholders, including the incidence of expenses, lapses, mortality etc.

"Isn't competition a fairly basic factor?" Mr. Straub asked. "Aren't your agents clamoring for this policy? Isn't this a reason for the big jump into special policies?"

Mr. Phillips said that issuance of special policies has been going on for some 30 or 40 years and that if a company is dealing with large buyers it should be able to offer them a better deal in view of lower unit costs.

Mr. Straub wanted to know if the big advertising spreads by four companies in the previous week's *Life* magazine did not signify something, since these advertisements stressed low cost.

Mr. Phillips explained that New York Life's is a median rate and that each policy justifies its own rate. He said New York Life had tremendously increased its business by attracting a market that it was not in before.

Mr. Sackman wanted to know why the special-policy principle was not applied to other types of contracts such as 20-pay life. Mr. Phillips answered that, with New York Life, 20-pay life is typically a small contract bought by younger persons and that it would be economically unsound to try to make a special out of it. Even if a special were offered in policies like 20-pay life and 20-year endowment, it would not serve to raise the average size policy. It fundamentally does not appeal to the buyer of large amounts, he said. On the other hand a term insurance policy with a minimum of $5,000 or a whole life policy of this minimum does appeal to larger buyers.

Asked by Mr. Sackman how he knew that buyers would not be attracted to larger 20-pay policies, Mr. Phillips said it was hindsight—the experience of New York Life and other companies.

Mr. Dubuar asked if there were the same margins of safety in the special policies as in regular contracts. Mr. Phillips said the company puts out no "loss leaders" and no policies are being supported by other classes of policies. As for margins of safety he said there is really more reason to be concerned about the margins of safety of the small policies than in the large ones. All the special-policy applicants are medically examined and the contracts are available to substandard as well as standard risks.

Walter Klem, senior vice-president and actuary of the Equitable Society which has gone into the "special" field even more lately than New York Life, was asked for his views. He said that

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Equitable had found it was the only one of the seven largest U. S. companies that did not have a special contract. He said that candor compelled him to say that competition was a motivating factor. There was no question of legality and no creation of any inequity among policyholders. He said that equity depends to a great extent on how the contract is presented to the policyholders. As for taking care of buyers who want the limited payment or endowment feature, he pointed out that Equitable's new adjustable policy provides for conversion to paid-up or endowment.

Asked by Mr. Sackman about the importance of size of policy, Mr. Klem conceded that this is important. Mr. Sackman asked whether he didn't think consideration for size could be given to other policies too. Mr. Klem said he didn't think that was warranted as long as there was no misrepresentation about all the facts involved in presenting the plan to the policyholder if you advertise it or by the agent.

At this point Daniel Mackin of Woodmen of the World Insurance Society asked if Mr. Dubuar intended to convey by his line of questioning that the department would not object to grading all policies according to size. This got quite a laugh from the assemblage.

Mr. Straub said he preferred not to commit the department on that until the views of the companies had been obtained and the whole question considered thoroughly.

Malvin E. Davis, vice-president and chief actuary of Metropolitan Life, said his company's whole life special, brought out many years ago, has stricter underwriting as well as a minimum of $5,000 on its whole life special. On the regular standard policies underwriting is designed to hold mortality to 125% of standard whereas on the special policy the aim is 110%. This means more precise underwriting, a need for fuller information that would be unduly costly for a policy in the $1,000 range. At the same time it would not pay on a policy like 20-year endowment in which the mortality is a much smaller factor than in whole life.

Pearce Shepherd, vice-president and actuary of Prudential, explained the range in commissions as affected by size of policies. Mr. Shepherd said that the setting of the commission rate is on the basis of what the company considers fair and reasonable.

Mr. Dubuar asked if a 45% commission rate would be regarded as being all right. Mr. Shepherd said "It might be."

Chairman Straub wanted to know if there had been any complaints from policyholders about having bought a large policy before the introduction of the new special contract and then finding out later that they could have bought it cheaper by waiting and consequently feeling that they had been "robbed." He wanted to know what New York Life's view on this was.

Mr. Phillips said that is taken care of in the dividend, since each year's issues are in a separate class. He said the question had never been raised by an individual but that the adjustment through the payment of dividends had been satisfactory to agents who had raised the question.

Mr. Dubuar mentioned the danger of twisting because a policyholder who had bought $50.000 or $100,000 policy was annoyed at being included along with smaller policies for dividend purposes. Mr. Phillips said that it would be a mistake for a policyholder to drop his policy and the New York Life provides a penalty for agents who switch policies. There are various factors to take into account, including different cash values, options, etc. Also, the old policies were only 2% reserve basis and the new ones are on a 2½% basis.

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Asked about Guardian Life's line of special-policies, its vice-president, John L. Cameron said that the company has $10.000-minimum preferred risk policies that are not in the regular series of contracts. These are the life paid-up at 85, life paid-up at 70, and the recently introduced life paid-up at 60 which has an endowment option.

Mr. Cameron explained that the reason for the preferred series is that usually a company the size of Guardian can handle more insurance without increasing expenses proportionately. Consequently its problem was to see if it could find a class of business that it had not been getting, and thereby add more business with a total over-all reduction in unit cost. He pointed out that this benefited all classes of policyholders, not just the special-policy buyers.

Mr. Dubuar asked if Guardian's life paid-up at 70 wasn't lower in premium than whole life at certain ages, that is, the buyer was getting a greater investment element for less money.

Mr. Cameron pointed out that there are savings both through the $10.000 minimum size and in the stricter underwriting.

Asked about safety margins, Mr. Cameron said he would be inclined to think the margins would be greater in the special than in the regular contract.

Asked by Mr. Dubuar whether the company had made asset-share studies to see if it were maintaining consistency between classes of policyholders, Mr. Cameron said that the state examiners had looked into that and were not critical.

Speaking for a company that has not gone into special policies but is considering them, B. M. Anderson, vice-president and counsel of Connecticut General Life said that the company is considering this step because its agents "tell us that nearly all other companies have got them." He said the agents are very conscious of the type of advertising that has been done on special contracts, that since it is directed to the policyholder it is a very serious competitive matter to a company, like Connecticut General, interested in brokerage business.

Mr. Straub said that "Despite recent remarks to the contrary that have been made," the New York department is not concerned with management but nevertheless he wondered why, when the average American family spends only 4% of its income on life insurance, the companies should be so concerned about making a price appeal to the public. Why can't the companies fill the need with the policies that they used "before this plague?" he wanted to know.

"The train has already gone by that station," said Mr. Anderson, observing that "nearly everybody" now offers special contracts.

Mr. Straub indicated his opinion of special policy promotions when he said that life insurance had always been regarded as a "Tiffany product" but that now it seemed to be getting into the discount-house class.

Mr. Sackman wondered if the special-policy trend might result in less effort being spent on selling to small policyholders. Mr. Anderson thought not, since "that is where the market is." Mr. Sackman answered that percentagewise the industrial companies aren't doing as well as the ordinary companies.

Mr. Anderson replied that a $1,000 policy isn't the same as it was 10 years ago, that the man who bought a $1,000 policy then would probably be buying a $5,000 or $1,500 policy today. Nevertheless, Mr. Sackman still had misgivings about the small policyholders, winding up the colloquy with Mr. Anderson by asking if the common man might not become the forgotten man, since the special-policy advertising is not addressed to him.

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Speaking for John Hancock, which has been issuing preferred-risk contracts for some 25 years, Harold A. Grout, vice-president and actuary, said better mortality due to stricter underwriting and savings in expense from minimum size warrant the lower cost to the buyer. Yet the company is not unmindful of the smaller policyholder and this year brought out policies especially for that class of buyer. He defended the different scales of commissions paid on different types of policies, saying this is something between the company and the agent.

"Do you think special underwriting is needed?" asked Mr. Sackman. It helps, Mr. Grout answered. As to whether it is needed to justify a special contract, Mr. Grout said "we have thought so in the past."

"Do you think so now?" Mr. Sackman inquired.

"Well, now we wonder," Mr. Grout answered, drawing a burst of appreciative laughter.

Leslie R. Martin, vice-president of Connecticut Mutual Life, said one of the letters the department had received was from Connecticut Mutual's president, Peter M. Fraser, who is outspokenly opposed to the issuance of special policies. Mr. Martin said Connecticut Mutual believes "we should not only avoid discrimination but even the appearance of discrimination." He said it may be that the smaller buyer has had a break in the purchase of life insurance but it would not be a good thing for the life insurance business to seem to favor the larger buyer.

"What, in your opinion, would be

some of the ill effects of carrying the trend toward special policies to its logical conclusion?" asked Mr. Straub.

Mr. Martin said the inequity of giving the larger buyer of one contract a better break than the buyer of a similar-sized but non-special contract might be cured by giving the same break to buyers across the board on all policies of a given amount but that could result in the smaller buyers looking "elsewhere" for their insurance, his implication apparently being that they might not confine themselves to private insurers in their looking.

Mr. Straub asked if there might be a tendency among smaller buyers to respond to the cost appeal by buying term insurance more than at present. That might happen, Mr. Martin opined.

Saying it might be enlightening to have the views of a company not doing business in New York, Chairman Straub called on Lloyd K. Crippen, vice-president and actuary of Acacia Mutual Life. Acacia, said Mr. Crippen, believes it is possible for a mutual company to have different classes of business and have net costs and even premium rates that recognize these differences. His company has three general whole-life classes: life paid-up at 85, minimum $1,000; life paid-up at 90, minimum $5,000, maximum $14,999; and whole life, minimum $15,000.

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Speaking against the "specials," Elgin Fassel, senior actuary of Northwestern Mutual Life, said today's special contracts bear scant resemblance to the earlier specials, and the thinking seems to be veering around to policy minimums for all plans. He said that once there is increased public understanding of price gradation there will be objections from the buyer of the policy barely too small to qualify for the special plan, who doesn't want to have his costs boosted by being lumped in with the $1,000 policies.

Mr. Fassel also criticized the payment of terminal dividends, saying that paying a dividend to a man who quits after 20 years and not paying it to one who quits in the 19th year is the same as the old tontine system and "something should be done about it."

"For the first time our precise practices are being exposed to the public," he said. "We should be sure they will stand exposure to the public. We assume that is why the department feels it necessary to set new 'ground rules'."

Mr. Fassel expressed the hope that the department would give the companies a chance to discuss any proposed rule changes before promulgating them.

Without conceding the propriety of setting up special classes, Mr. Fassel said specials based on super-selection and large amounts necessitated special classes, since enough risks have to be included to permit the law of large numbers to operate as regards mortality. However, in recent months, he said, there has been considerable emphasis on size and a playing down of the mortality angle. The class distinction has worn pretty thin, "in fact, it has become transparent," he said.

Mr. Fassel said that unlike super-select mortality, size of policy does not require the setting up of a special class but could be the basis for lower cost to any individual who buys the prescribed minimum size of contract.

William C. Brown, vice-president and actuary of Colonial Life, said when that company went into general agency operations, it found itself hampered in competition by costs that reflected the relatively small policies sold by the industrial department. So it brought out a contract with a $10,000 minimum and preferred risk underwriting aimed at no more than 110% of standard mortality. This enabled the company to get into a new market. Increased average size resulting from the $10,000 minimum has more effect on lowering the cost than the super-select underwriting has, said Mr. Brown in answer to a question, but he was reluctant to give an opinion on whether size alone would be enough to base a special low-cost rate on.

H. Bruce Palmer, president of Mutual Benefit Life, spoke out vigorously against specials. About 15% of Mutual Benefit's agents like the idea but the rest are against it, some of them "rather violently" so.

Mr. Palmer said issuance of specials wouldn't do much to cut the company's aggregate costs except perhaps by reducing commissions and that a lowering of rates to special classes would shift expenses inequitably to other policies, including those in the same amount category with the specials.

A danger, he said, is that this treatment of the larger buyer may some day be seized on as meaning that the small buyer cannot get the same break as the large buyer.

"If we have any conviction whatever about the broad social purpose that we are trying to serve, we must not let the erroneous impression be gained that the life insurance business is catering only to the large buyers," he warned.

Vice-president Dudley Dowell of New York Life, discussing the advertising of its new series of policies, said the company had found it was pricing itself out of the market, especially the business insurance market, because of high gross premiums. New York Life found that its agents were selling close to $80 million a year in other companies four years ago. Most of the advertisements are directed at the professional and business men and are aimed at correcting the high-gross-premium-rate reputation that New York Life had had. The company now appears to be getting back business it was formerly losing through its own agents to other companies.

The only field man to speak, Jack D. Garfunkel, Mutual Benefit Life, New York City, said advertising emphasis on price is disrupting the market without creating any desire to buy, for that must be done by the agent. Often the buyer doesn't even know, until he signs the check, what company the agent represents.

Emphasis in selling life insurance should be on service to the public, he said. The public should not be given the impression that the big thing is to get more business. The Ford vs. Chevrolet type of sales battle is unworthy of the life insurance business, he indicated.

Called on as a representative of a company not entered in New York, William M. Anderson, vice-president and managing director of North American Life of Toronto, said that since life insurance is not a monopoly, if all companies didn't grade their policies by size it would be found that companies would become specialists, some taking big cases, some small cases, etc., and companies trying to do business across the board would be unable to operate.

Mr. Anderson said it is not a question of whether there should be gradation by size but rather how it should be handled, to permit companies to serve all classes of policyholders equitably. He said that not having lived under the atmosphere of the New York law, he had permitted himself to think rather radically and the sensible solution seemed to him to be an annual per-policy fee that would reflect the fact that the expense of handling a policy is pretty constant whether the policy is large or small. Exclusive of the policy fee, the premiums per $1,000 would be uniform. He suggested $5 as a tentative annual policy fee.

A variant of this plan, he said, might be to base premiums on a $10,000 minimum face amount and charge a policy fee of $5 on a $1,000 policy, $4.50 on a $2,000 policy, etc. In this way, the larger buyer, who might object to a policy fee, would not be paying such charges.

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Mr. Klem expressed the belief that "we'd be on sounder ground" to agree that size alone is enough to warrant giving a policy "special" status, thereby eliminating any need for such situations as a regular whole life policy and a special life paid-up at 95 policy for a substantial minimum amount.

Guy H. Amerman, vice-president and actuary of Continental American, said his company has special policies right across the board and their counterparts in the standard series. It has always had an underwriting differential and has never had a commission differential but doesn't hold that the opposite course to either is wrong. The company believes no difference in plan is necessary as between a regular policy and its special counterpart but having differences has the virtue of keeping the buyers and agents from getting the policies mixed up.

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There was considerable discussion between B. M. Anderson and Mr. Sackman on using a higher interest assumption on a special policy than for its standard counterpart. Mr. Anderson contended that this should be permitted but Mr. Sackman seemed unconvinced.

There was also quite a discussion between Mr. Dubuar and Mr. Phillips of New York Life on how advertising of a special policy should be charged. Mr. Phillips said New York Life charges it against all policies, since the advertising may well result in the sale of some other policy than the one being advertised. Other policies have been helped by the advertising and the greater volume has cut the overhead for all policies.

Mr. Sackman thought the advertising should "certainly" be charged more heavily to the special being advertised.

"You asked me for my opinion and mine is that it would be an unneeded refinement," Mr. Phillips answered.

Mr. Dubuar said New York Life offers 15% savings on its special whole life plan and hence "it is very important how you allocate costs," adding that settlement options should be taken into consideration because larger policies tend to involve more such work in connection with them. Mr. Phillips replied that a great part of the added business that has come in on the special contracts is business insurance and estate-tax coverage and neither of these usually involves options. Besides, there is a factor in the dividend formula to reflect the cost of options.

Asked by Mr. Sackman how he felt about advertising of special contracts, Mr. Klem said he didn't think Equitable's advertising had sold any policies to amount to anything. The company has been advertising because it has been out of national advertising for some time; it had something new, so it was natural to advertise it, but more important the company needed to tell its own agents it was back of them in today's competitive market and inspire them to sell all of Equitable's services.

There have been relatively few inquiries to the field offices or the home office as a result of the advertisemnts but the advertising has inspired the field force to sell, he emphasized. At the same time, the advertising program is nearing completion and the company doesn't propose to continue this kind of "saturation advertising" that has been done to announce the new policy and reactivate the field force.

John G. Kelly, assistant general counsel of Mutual of New York, read a letter from Mutual's president, Louis W. Dawson, calling attention to the long history of departmental approval of special policies and saying there is no difference in principle between earlier policies and those being sold today.

Mr. Davis re-emphasized the point made by W. M. Anderson of North American of Toronto and W. C. Brown of Colonial, that companies vary a great deal in average size of policy and that consequently it would seem fair to let companies having a smaller average size policy issue special plans that would let them compete with those companies that normally issue a larger average policy by reason of the type of agency force they have.

This view was also expressed by Harry Yarin, vice-president and secretary of Eastern Life, who said his company found that its special policy had increased the average size of policy.

Morton A. Laird, vice-president and actuary of National Life of Vermont, said his company issues no specials but that they are "a topic of recurring discussion with our field force." He said if it were permitted he would prefer an annual per-policy expense charge, such as suggested by W. M. Anderson. He called $5,000 (as a policy minimum) "an accident of our currency system." He pointed out that if $1,000 was a reasonable minimum 30 years ago it might be that a $1,000 minimum today is encroaching on the industrial companies.

Mr. Laird believes if there is to be a differential for size it should be for all contracts, though if this were too complex it might be expedient to confine it to one policy.

Penn Mutual Life Ups Dividend Scale

Penn Mutual Life has raised its 1955 dividend scale, increasing return to policyholders by $2,400,000. Improved mortality, particularly at the older ages, and a better average net interest are reflected in the new scale.

The increase will be applied both to policies based on the CSO and the American experience tables.

Writes Americans Abroad at No Extra Charge

Connecticut General is now underwriting life coverage at regular rates on Americans who live in or travel to principal cities abroad, except in areas of armed conflict or extreme political unrest.

The company ascribed its action to the modernization of the larger foreign cities, better medical facilities, and improvement of foreign air travel.

Urges No-Commission Law for Welfare Plans

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have anything to say at that particular point.

"Quite aside from this, the insurance industry should face another grim fact: While most of the major companies pay only reasonable commissions for actual services rendered, the industry has closed its eyes to the fact that there are some insurance companies which have paid excessive commissions and exorbitant service fees. Such payments may act as successful inducements to brokers and agents to secure business for such companies but it is certain that they do not redound to the benefit of any welfare fund or its beneficiaries."

If elimination of commissions cannot be achieved, Mr. Segal suggested regulation of the commissions themselves on a modest and uniform basis that would exclude the duplication of new commissions on separate policies held by one fund and "dubious and unreasonable service fees". He would also like to see a regulation requiring welfare funds to file with their respective state insurance departments a complete financial statement covering the operations of each annual period.

Mr. Segal's final recommendation was that insurers of welfare funds be required to file annual reports with state insurance departments setting forth all commissions and other fees paid on behalf of each fund during each policy year.

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Mr. Segal said that "there is a new evil developing in the group insurance business to which little attention has been paid up to now." He said there is "a new type of racketeer who calls himself an 'insurance consultant' and piously proclaims that he accepts no commissions, that he deals directly with insurance companies and that he 'saves' the commissions involved for the welfare plan."

Mr. Segal said anyone familiar with New York insurance laws knows that such savings are not possible when the plan is underwritten by a commission-paying company. Mr. Segal said the consultants to whom he was referring are well aware that these commissions must be paid and such a consultant not only receives substantial fees from the welfare fund but acts as a front for some "ghost collector" who is either unknown to the buyer of the insurance or, "in some unhappy instances, perhaps too well known."

Among the fair-sized group of insurance people in the room was David B. Fluegelman, general agent of Connecticut Mutual in New York City, past president of National Assn. of Life Underwriters, and chairman of the NALU group insurance committee. Talking with Mr. Segal after the session broke up, Mr. Fluegelman took vigorous exception to Mr. Segal's no-commission cure for welfare-fund racketeering. He denounced the proposal as one that would undermine the agency system, which he said had proved beyond question its superiority as a method of selling not only individual insurance but group as well.

Neither Mr. Fluegelman nor Mr. Segal had succeeded in converting the other as the colloquy ended.

The general tone of the discussion was that only an infinitesimal percentage of welfare funds are plagued with racketeering but the safeguards should be set up to eliminate even that much.

Mr. Segal was the only participant in the round-table discussion who came out flat-footedly for elimination of all commissions on negotiated welfare fund cases but there was considerable impatience expressed at having to pay a commission to brokers or agents who do not work, just because the law specifies that a commission-paying company must always pay a commission even if nobody does anything to earn it.

The feeling was also expressed that something should be done to keep the level of commissions down to those paid by the larger insurers. N. E. Horelick, 2nd vice-president of Equitable Society, brought out that with the sliding scale of commissions used by the larger insurers a $75,000 total for a 10-year period was about the top that even the largest case could pay a producer.

L. M. Cathles Jr., secretary, group division Aetna Life, said there had been no instance where the payment of "reasonable" commissions had resulted in payments of rebates but that the latter had come with abnormally high commissions. He said it is true that often the agent creates no sale but a competent agent or broker may and often does act as adviser during negotiations and afterward. The competent agent or broker earns his commission, Mr. Cathles declared. Other insurance executives participating in the round table supported this view.

Mr. Cathles said insurance company group departments are concerned lest abuses in a few welfare funds create the impression that most of them are corrupt. He urged that whatever remedial legislation is sought be at the state rather than federal level. He suggested that the international union educate its locals regarding the services of producers and their normal rates of commission. The international should also demand competitive bidding but not with the idea that the insurer that superficially seemed to have the lowest bid would necessarily be picked out to establish the market. Bidding would have prevented many of the evils that have occurred, he said.

Mr. Cathles said the international could also help by educating its members to seek coverage that would take care of major expenses and not the minor costs that they should budget for themselves.

Murray Lattimer, industrial relations consultant and former chairman of the Railroad Retirement Board, had a good word for the insurers, warning against pushing too hard for expense economies at the risk of curtailing needed service and records. As to commissions, Mr. Lattimer said if anything done by the union welfare funds were to cause the insurers to be less vigorous than they are now in seeking this business none would suffer more than the union funds, as it would cost them more to handle the business themselves than through the insurance companies.

Joseph Swier, International Electrical Union, was perhaps the most outspoken critic of commissions paid to agents who had done nothing to earn them. While not condoning actions of corrupt union officials he said "I think you will find that they were seduced by the worst elements in the insurance industry." He opined there is "just too much loose money" around in the insurance business.

Mr. Swier cited the recently adopted group life plan for U. S. government employes and the projected A&H program, neither of which provides for producers' commissions, as indicating the reasonableness of paying no commission where no work is done. He said maybe the Taft-Hartley law should be amended to provide that all health and welfare funds should be operated by labor and management jointly, instead of by management alone, as some are currently. He recommended that an outside audit of welfare funds be required.

E. B. Whittaker, vice-president of Prudential, spoke for "a disclosure form of legislation," preferably state rather than federal, since most of the criticized practices have occurred in intra-state funds and would be difficult to correct through amendments to the Taft-Hartley act. He said he would like to see a requirement that all welfare funds in a state register with the insurance department, that these funds submit annual statements like those of insurers, that a layman-language condensation of the report be distributed to persons insured, and that the insurance commissioner have the right to examine the books of any fund at any time.

It may be, he said, that at a later date stricter police legislation will be needed, such as maximum limits for administrative expenses of the funds, restrictions on the type of investments the trustees may make, actuarial valuation standards, and the like, but he doesn't think it would be desirable to enact such legislation now, because "it would be exceedingly expensive to enforce and may prove unnecessary."

"It is my hope and expectation that in another year or so the self-policing by top union officials will have cut the amount of money dissipated to negligible proportions—certainly less than would be required to maintain the bureaucracy necessary to enforce any severe police laws at the national level."

Attacks No Commission Plan for Welfare Funds

(CONTINUED FROM PAGE 3)

an avaricious, conscienceless boss of a "captive" union. As part of a general pattern of making a good thing out of his position he induces an unethical agent to work out a deal to pay a kick-back out of commissions.

The union leader and the agent are looking for the highest commissions to split, not the lowest cost for the members. But this can hardly be blamed on the commission system, but rather on the shortsightedness of some companies in licensing agents who are not properly qualified—using that term in its broadest sense.

The agency system has withstood the tests of time for more than 100 years. While it has its defects, it has proved to be the best possible system under which an agent may be compensated for his efforts. I believe I may state, without fear of contradiction, that the NALU is unalterably opposed to the writing of insurance without paying a commission to an agent. The real solution for the problem is for the unions and the life insurance companies to become aware that the best interests of the clients may only be served by having a qualified agent handle the case. Within the ranks of NALU are a great number of well qualified, conscientious and capable agents who will do an honest job, and will earn any commissions that may be paid. If all unions would use discretion in choosing the agents who represent their interests, we will have taken great steps toward the solution of the problem.

Rules No Filing Needed on Ill. Group A&H Rate

Attorney General Castle of Illinois to an inquiry from Director McCarthy has issued an opinion holding that the Illinois insurance code doesn't require filing of classifications of risks and the premium rates pertaining thereto for group A&H policies. He suggested if there is need for such a filing that the matter be made the subject of appropriate legislation.

McKee New United Benefit Ass't V-P; Others Promoted

United Benefit Life has advanced Paul McKee from assistant educational director and western regional supervisor to assistant vice-president. He joined the company in 1941 and besides home office positions has been associate manager at Indianapolis.

In other promotions, Emil Christofferson becomes western regional supervisor, Jerry Vartelas mid-west regional superivisor and Robert Fogle assistant director of the life traning department.

Republic National Names Austin to Reinsurance Post

Thomas H. Austin, formerly general manager and secretary-treasurer of Life of Texas, has joined the reinsurance division of Republic National Life as assistant vice-president.

Mr. Austin entered insurance with Sun Life of Canada at Richmond, Va., as cashier, was later promoted to manager at Newark and then branch secretary at Portland, Me. He was in the veterans administration insurance service as a conservation officer and chief of the underwriting division until 1951 when he was named executive director of the Richmond, Va., Citizens Assn.

Veterans' Dividend Scale in 1955 to Be Higher

VA next year will pay dividends of about $200 million to some five million holders of participating term and permanent National Service Life insurance policies. Dividends of $26 million will be paid to holders of about 380,000 U. S. Government Life permanent plan policies only.

Policyholders will receive a dividend for each month the insurance is on a premium-paying basis during the policy year ending 1955, with a single check covering the total payment. Payment will be made shortly after the anniversary date of each policy.

On term and NSLI, the dividend scale next year will be about 10% higher at ages to 40 than for the 1954 dividend. For ages above 40, the increase will be somewhat greater except at age 55 where the rate will remain unchanged. On permanent plans, the total distribution will be about the same, but there will be small increases at some points and small decreases at others.

For USGLI permanent policies, a nominal increase generally will be made for those policyholders presently under age 60 and a slightly larger increase generally for those over 60.

Policies issued under the indemnity and insurance acts of 1951 are non-participating, nor are dividends paid to the 900,000 NSLI and USGLI participating policies for the months for which premiums were waived during the 1955 policy year under the same acts.

Certiorari Denied

WASHINGTON—The U. S. Supreme Court has denied certiorari in No. 88, Williams vs. Carolina Life.

"Hey, gang! Jimmy's stayin'!"

Yes, Jimmy *is* staying with the gang. When the Little Tigers trot out on the baseball diamond or football field, he'll be right there with them. In some families when Dad's gone, it means fighting your way into a new gang in some other neighborhood. Although Jimmy's too young to know it yet, he's got a thoughtful father and a wise insurance man to thank that this isn't going to happen to him. For by paying off the mortgage balance on his home and by providing his mother with a regular, guaranteed income, life insurance is saving him from a series of difficult and upsetting adjustments. Some day, when Jimmy looks back, he'll realize how much he owes to life insurance.

Security for the children and peace of mind for the mother—both become possible through the foresight and perseverance of a life insurance salesman. How many other professions return so much in satisfaction, do so much for others in periods of such great need?

ÆTNA LIFE INSURANCE COMPANY

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